

FINANCIAL TIMES

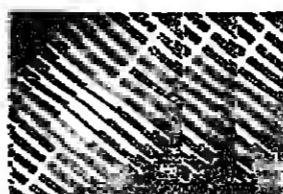
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the new
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The world's
best-value
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Rugby -
now it's a
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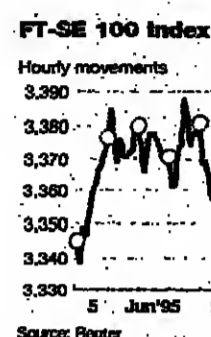


Islands
in the sun
Pages VI and VII

World Business Newspaper

WEEKEND JUNE 10/JUNE 11 1995

Markets hit by fears over US Treasury bonds



Source: Reuters

Reports that the Japanese Ministry of Finance would restrict purchases of US Treasury bonds hit financial markets yesterday, despite an MoF official in New York playing down the story. On Wall Street, the Dow Jones Industrial Average fell 50 points in early afternoon trading to 4,408, triggering restrictions on program trading. The 30-year US Treasury bond was over a point lower at lunchtime to yield 6.89 per cent and fell sharply, with the 2017 issue down more than two points. There were falls of over a point in German and Spanish government bonds. In London, the FT-SE 100 index dropped 43.1 points, or 1.3 per cent, to close at 3,337.7, while in Paris, the CAC-40 fell 54.17 points or 2.8 per cent to 1897.02. Japan fears spark decline in Treasuries, Page 6; US Treasury prices fall, Page 6; World stocks, Page 17; London stocks, Page 18; Markets, Weekend FT XX

International Paper plans action: International Paper of the US announced plans to oust the board of Holvis, the Swiss paper distribution and non-woven textiles company, and pursue legal action over a rival bid by Britain's BBA Group, Page 6

Probe into power sale urged: Britain's opposition Labour party urged the Serious Fraud Office to step into the row over the handling of the sale of the government's final 40 per cent stake in the electricity generating companies, National Power and PowerGen. Powers that be in question, Page 8; Lex, Page 22

Santer warns UK over currency names: European Commission president Jacques Santer called for an early decision on the name of the single European currency and warned Britain against blocking the move, Page 2; Think-tank warns of loss of influence, Page 4

Russia and Ukraine agree on fleet: Russia and Ukraine claiming an "historic" breakthrough over the division of the Black Sea Fleet. It will be split in half and Ukraine will sell most of its ships to Russia, Page 22

Argentina warns oil companies: Argentina threatened to take legal action against companies which sign oil exploration deals under a licensing round being planned unilaterally by the Falkland Islands government, Page 3

UK trade deficit lowest for eight years: Britain's quarterly trade deficit has fallen to a seasonally adjusted £2bn (\$3.14bn) from £3bn, its lowest level for eight years, Page 18 and Lex

Britain's black economy nets £66bn: Britain's black economy is thought to have generated about £66bn (\$103.6bn) last year, with the poorest 20 per cent of the population financing about a third of their spending from income which they had not declared to the taxman, Page 4

Norway and UK defend over rig dumpings: Britain and Norway refused to give up plans to dump large oil rigs at sea despite a resolution by their European neighbours that all platforms be disposed of on land, Page 2

Firm accepts Maxwell audit probe: UK accountancy firm Coopers & Lybrand abandoned its fight to postpone an investigation of its role in auditing the Maxwell Group pension funds, Page 4

Syria sees hope of peace: Syria said the current Middle East visit of US secretary of state Warren Christopher offered a real chance for a breakthrough in Israeli-Syrian peace talks, Page 3

Tesco expects higher profits: Analysts upgraded profits forecasts for UK food retailer Tesco after it announced total sales were running 16 per cent higher than last year, Page 5

Welsh Water promises pay-outs: Shares in Welsh Water rose 18p to 680p as it became the fifth UK utility to promise special payouts to shareholders and give rebates to customers. The group unveiled its programme despite a 16.5 per cent fall in annual pre-tax profits to £120.4m (£189m), Page 5

Former Warner Bros man backs cinema: Steve Wiener, former chief executive of Warner Bros Theatres, intends to launch a chain of multi-screen cinemas in the UK, Page 4

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Microsoft may face further probe

By Louise Kehoe
in San Francisco

Antitrust investigation could block Windows 95 launch

Microsoft, the world's largest computer software company, yesterday faced the risk that Windows 95, its new personal computer operating system program, could be blocked or delayed by a new US Justice Department antitrust investigation.

The Justice Department is examining Microsoft's plans to build access to a new online computer information service called the Microsoft Network into Windows 95. Antitrust regulators are also asking the company to explain one element of the terms under which it licenses personal computer manufacturers to install Windows 95 on new PCs.

The world PC industry, which has annual sales worth \$100bn, is gearing up for the launch of Windows 95, which will replace the current version of Windows, the basic control program used on an estimated 100m PCs. Some 10m-20m copies of Windows 95 are expected to be sold this year and up to 50m copies in 1996, according to market analysts.

Microsoft appeared to rule out any compromise with the Justice Department. The company said it had no intention of launching Windows 95 without the Microsoft Network access software. Similarly, it saw no reason to change its licensing agreements.

Microsoft acknowledged yesterday that it had received "requests for information" from the Justice Department, and said it was "co-operating fully" with the investigation.

Mr Neukom added, referring to complaints by America Online and other online service companies that Microsoft is using its dominant position in the operating system market to boost its entry into a new field.

Santer says deal on name for single currency must not be blocked

UK told to avoid veto in Emu talks

By Lionel Barber in Brussels



Britain is in a "very comfortable position": Commission president Jacques Santer yesterday

Mr Jacques Santer, president of the European Commission, yesterday called for an early decision on the name of the single European currency and warned Britain against blocking a settlement.

Mr Major told the House of Commons that "arguably the circumstances may not ever be right" for sterling to be merged in a single currency. The prime minister was responding to a report by the non-party Action Centre for Europe which concluded that member states staying out of Emu risked being marginalised.

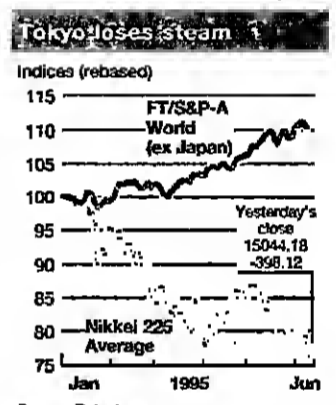
Mr Santer acknowledged that some member states, notably Germany, had strong reservations about calling the future currency the Ecu, the name of an old French coin, now used to describe the basket of currencies in the European monetary system.

He pointed to the differing versions of the Maastricht treaty, which contains "Ecu" in the French text and "ECU" in Ger-

Bank of Japan reports business confidence rising

By Gerard Baker in Tokyo

Japan's economy remains on a gentle recovery path, the Bank of Japan said yesterday, citing the results of its influential quarterly survey of business confidence.



Source: Datastream

The central bank dismissed fears that the sharp rise in the yen in the last year had put an end to the fragile recovery. The survey, taken in May, reported that the key index of business confidence, the balance of manufacturers saying economic conditions were favourable against those who found them unfavourable, improved for the fifth consecutive quarter, from minus 21 in February to minus 16. Non-manufacturers reported a similar outlook.

Strong export growth to main overseas markets, especially North America, had helped to offset the currency difficulties.

"The survey endorses our judgment that the nation's economy is recovering, but its pace remains slow," said Mr Emihiko Takeshima, director of the bank's research and statistics department. Two months ago, the bank cut its main interest rate to a record low of 1 per cent amid fears that the economy was stalling.

Most economists had been Japan's economy clings on to recovery, Page 3; World stocks, Page 1; Lex, Page 22

Eurostar name loses lustre in French courtroom fight

By Andrew Jack in Paris,
Charles Batchelor and Robert
Rice in London

A tiny French transport company scored an embarrassing legal victory over the British, French and Belgian railways yesterday in a decision which may prevent them using the name "Eurostar" for their high-speed Channel tunnel rail service.

Judge Lydie Disser in the tribunal de grande instance in Paris ordered SNCF, the French national railway company, to stop using the name for the service linking London with Paris and Brussels within six months.

The action was brought by a Paris-based company called Eurostar, which laid a formal charge of deception against SNCF, the French rail company, on the grounds that it already had an almost identical title.

It was required to drop the name. EFS said the usual checks of international brand name registries had been carried out before the Eurostar name was adopted but the issue was "complicated".

The railway companies have spent more than £5m (\$7.85m) promoting the service under the Eurostar name. A high-profile TV advertising campaign is running on British television.

European Passenger Services, which represents the British and of the Eurostar partnership, said last night it had not begun to think about the consequences if

Eurotunnel shares down, Page 6

STOCK MARKET INDICES			
FT-SE 100	3,337.7	(-43.1)	
Yield	4.15		
FT-SE Eurotrack 100	1,259.31	(-11.85)	
FT-SE-A All-Share	1,841.32	(-1.09)	
Nikkei	15,044.18	(-99.12)	
New York Composite	4,424.33	(-34.24)	
S & P Composite	527.86	(-4.37)	
LONDON MONEY			
3-mo interbank	6.5%	(63.3%)	
Life long gilt	10.5%	(107.3%)	
US LUNCHTIME RATES			
Federal Funds	6.5%		
3-m Treasury Bill	5.753%		
Long Bond	112.5		
Yield	6.871%		
NORTH SEA OIL (August)			
Brent 15-day (Jul)	\$17.55	(17.80)	
GOLD			
New York Comex (Aug)	\$381.2	(385.5)	
London	\$388.2	(385.5)	
STERLING			
New York lunchtime	\$ 1.5855		
London	\$ 1.5896	(1.5893)	
DM	2.2342	(2.235)	
FF	7.8629	(7.8137)	
Sfr	1.8898	(1.8804)	
Y	134.712	(135.053)	
S Index	84.1	(84.5)	
DOLLAR			
New York lunchtime	DM 1.40205		
London	DM 1.4025		
Sfr	1.1575		
Y	84.255		
DM	1.3973	(1.4188)	
FF	4.911	(4.9825)	
Sfr	1.1505	(1.1713)	
Y	84.25	(85.03)	
S Index	88.3	(89.0)	
Tokyo close	Y 84.705		

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NEWS: EUROPE

French to elect mayors tomorrow

By John Riddling in Paris

French voters go to the polls tomorrow in the first round of municipal elections which will determine whether the political right can capitalise on its presidential success and extend its control at local level.

The battle for France's 36,000 cities, towns and villages comes one month after the Gaullist Mr Jacques Chirac defeated Mr Lionel Jospin, his Socialist rival for the Elysée palace. His victory consolidated the power of the Gaullists and their centre-right UDF partners, adding to their overwhelming parliamentary majority and their domination of France's regional councils.

Coming so soon after the presidential poll and with local issues at the forefront of most municipal contests, tomorrow's vote is not regarded as a test for Mr Chirac. But the polls, which include several high-profile battles for big cities, will help determine the balance of political power at local level and whether the declining influence of the Socialists can be reversed.

The two-round election, with the final contests held next weekend, will also show whether the extreme-right National Front can capitalise on its strong showing in the presidential contest. Mr Jean-Marie Le Pen, the party leader, predicts that his record 15 per cent of the presidential vote will translate into municipal gains for National Front candidates, particularly in Alsace Lorraine, in eastern France, and in the south.

The most prominent contests include a bid by Mr Alain Juppé, the Gaullist prime minister, to become mayor of Bordeaux, Mr Raymond Barre, the former centre-right premier, is attempting to win Lyons, while Mrs Elisabeth Hubert, the health minister, is seeking to capture Nantes from the Socialist incumbent, Mr Jean-Marc Ayrault.

The candidacies of such senior politicians, who are allowed to combine national and local elected positions, reflects the importance of the mayor's office in French politics. A large city such as Lyons has an annual budget of more than FF3bn (\$500m) and provides an important power base. Even smaller towns have seen their influence and budgets increase as a result of the devolution of authority to the regions.

At present, the left has an edge in the larger conurbations, holding 129 of the 230 towns with more than 30,000 inhabitants. But it has lost ground since 1977, when it won control of 159 of these larger towns.

The Socialists have taken heart from the unexpectedly strong showing by Mr Jospin in the presidential campaign. However, in the battle for the Elysée, Mr Chirac defeated his challenger in 41 cities currently held by the left. The Socialist candidate outscored Mr Chirac in 17 towns and cities in the hands of the right.

The municipal contest has already revealed significant trends in local government. An estimated 40 per cent of incumbent mayors are not standing, a much higher proportion than usual. This reflects generational change, but also disaffection with the office. Many mayors in small towns and rural areas complain of the burden and increased responsibility of the post, while a series of notable corruption scandals have tarnished the image of the mayor's office.

At stake in tomorrow's polls are more than 500,000 local council seats. The councils then select the mayor at their first meeting.

Honeymoon is over for Austria's Euro-lovers

By Ian Rodger in Vienna

It was just a year ago that Austrians broke out in emotional street parties to celebrate their overwhelming referendum decision - by a two thirds majority - to join the European Union.

Today, the mood has changed dramatically, reflecting that of a couple returning from honeymoon to their first quarrel, as EU affairs minister Brigitte Ederer put it yesterday.

A Gallup poll this week suggested that only 39 per cent of Austrians would vote to join the EU if a ballot were held now.

The source of disenchantment is consumer goods prices, which have not fallen as quickly or as sharply as

the government and other EU advocates led Austrians to believe.

Gallup reported that the biggest drop in support for the EU occurred among women and people on low incomes.

In the run-up to last year's referendum, Austrian politicians promised that EU membership would cut the monthly grocery bill of every family by Sch1,000 (\$264) a month.

Immediately after entry in January, prices for basic farm commodities, such as flour, bread and milk, fell significantly, reflecting the implementation of the EU's common agricultural policy, which provides much less support to farmers than the former Austrian system.

However, large retail chains have

used their market power to maintain prices on most other goods, such as furniture, clothing and most everyday household products and services.

The Austrian government apparently hoped the problem would gradually take care of itself. As Mrs Ederer pointed out yesterday, the Austrian people themselves are already taking the kind of action that will ultimately force suppliers of goods and services to reduce their prices.

Thousands of people now travel regularly, especially at weekends, to neighbouring towns in Italy and Germany to shop. Thanks to EU membership, there are no longer any restrictions or taxes on the goods

they bring back. Similarly, no one can stop an Austrian from seeing a dentist or buying contact lenses in Hungary or Slovakia, only half an hour away from Vienna.

Mr Josef Christl, chief economist of Creditanstalt-Bankverein, estimates that up to 5 per cent of Austria's Sch500bn annual retail turnover is being diverted to these countries.

However, this has only added to the irritation of consumer and trade union groups who have been complaining for several weeks about alleged abuses of market power by retailers.

On Thursday, the federal Chamber of Commerce, which represents all employers in the country,

announced it would take action.

Mr Günter Stummvoll, general secretary, said the chamber was studying the legal steps involved in taking a company to the European Court. Mr Stummvoll said there was clear evidence that some companies were charging prices up to 10 per cent higher in Austria than in Italy or Germany, after adjustment for tax and foreign exchange differentials.

He did not say which company he was targeting, but the Austrian press has cited Ikea, the Swedish furniture group, Benetton, the Italian clothing maker, and most European car manufacturers for setting higher prices in Austria than in neighbouring countries.

If the chamber's action, which Mr

Stummvoll said was meant to serve as an example, is effective, the government too will be pleased. It is facing losses of Sch30m to Sch50m in value added tax revenue, a worrying sum in a year when it is struggling to restrain its deficit to Sch100bn.

Both Mrs Ederer and Mr Stummvoll argued that the disenchantment with EU membership was unjustified. While prices had not come down as quickly as hoped, inflation had declined significantly in the first few months of this year and employment and inward investment had both risen sharply.

Mrs Ederer was confident that the marriage with the EU would work out after all. "The love will return once we settle in," she said.



Guido Westerwelle, general secretary of Germany's Free Democratic party, gives a victory sign behind the candidates to succeed Klaus Kinkel as leader, Wolfgang Gerhardt (left) and Jürgen Möllemann. A delay in electing the new leader reflected deep divisions within the ailing party

FDP POSTPONES VOTE FOR LEADER

By Judy Dempsey in Mainz

Germany's liberal Free Democrats (FDP), the junior partner in Chancellor Helmut Kohl's governing coalition, yesterday postponed until today the election of a new leader, in an attempt to unite the party before the crucial contest.

The 680 delegates at a special congress in Mainz must choose a replacement for Mr Klaus Kinkel, the foreign minister, who resigned as party leader last month.

He had been held partly responsible for the party's defeat in 11 state elections and its relegation to last October's federal elections to fourth place in the Bundestag, the parliamentary lower house, after the Greens.

The decision to postpone the election, originally scheduled to be held last night, reflected deep divisions within the party which finally surfaced during yesterday's debates. "We wanted to give more time for discussion, to ventilate the different views," an FDP spokesman said. He added that, after the postponement, he was confident Mr Wolfgang Gerhardt, head of the liberals in the state of Hesse, would defeat Mr Jürgen Möllemann, the former economics minister, in the leadership contest.

But debates were not only preoccupied with which candidate could stem the party's decline. They reflected a sense of uncertainty about what kind of strategy the party should adopt if it wanted to remain the kingmaker in German politics.

His Sahlin Lendhausen-Schnarrbecker, the justice minister and one of the few FDP federal MPs to have stood up to Mr Kohl in the government coalition, said the party must not be tempted to abandon its liberal principles, despite the fact that the Greens had co-opted many of those values.

Croatian threat of new war against Serbs

By James Biltz in Ljengollen and Laura Silber in Belgrade

The prospect of another full-scale war in Croatia loomed yesterday while Britain and France prepared their last-ditch effort to bring stability to neighbouring Bosnia through a combination of negotiation and reinforcements.

Mr John Major, the UK prime minister, confirmed that Britain's 5,000-strong air mobile brigade would leave for Bosnia in a few days, bringing the total UK presence in the war zone to 10,000.

Speaking at the annual conference of his Conservative party in Wales, Mr Major defended the extra deployment by comparing the current situation in Europe to the run-up to both world wars. "In the years before 1914, and again in the 1930s, Britain paid a heavy price for the mistaken view that events hundreds of miles away had no importance for us," he said. "By the time we learned that we could not turn our back on the fate of fellow Europeans, it was too late."

The UK brigade, which will leave as soon as the UN agrees to increase the size of its mission in Bosnia from the current level of 23,000, will form half of a new Anglo-French rapid-reaction force.

Western defence officials have made clear the enlarged UN mission - humiliated by the Serbs' detention of scores of peacekeepers - will be forced to start withdrawing from Bosnia unless it can re-establish its credibility by the summer.

In Croatia, rebel Serb aircraft bombed Croat positions, and President Franjo Tudjman threatened to recover control of all Serb-controlled areas of his republic by force.

He said that unless there was a political agreement by autumn, he would launch a military campaign to recover the occupied areas of Croatia, where rebels have proclaimed a breakaway "Republic of the Serbian Krajina" (RSK).

Croatia wrested a small pocket of land from Serb rebels a month ago. However, the other RSK areas are heavily defended, and an all-out war for their control could lead to the biggest Serb-Croat fighting since 1991.

Croat forces advancing on the rebel Serbs' mountain stronghold of Knin were strafed yesterday by two RSK aircraft, based at the airfield of Udbina, which Nato attempted to knock out with a massive bombing raid last autumn.

The upsurge of fighting was an alarming development for Serbian President Slobodan Milosevic, who fears losing control of his kinsmen and former protégés in both Croatia and Bosnia.

The isolation of the Croatian Serbs, who are still holding 145 peacekeepers hostage, was partly broken yesterday after the UN announced an agreement with them under which aid convoys will be allowed into Sarajevo. Bosnian Serb leaders also allowed a small convoy of supplies to reach Ukrainian peacekeepers in Zepa, one of three Muslim enclaves in eastern Bosnia.

Talented ex-PM takes on 'mission impossible'

Carl Bildt will bring a fresh approach to the search for peace in Bosnia, writes Hugh Carnegie

Mr Carl Bildt's clearest public comments so far on his new task as the European Union's mediator in former Yugoslavia came, typically of a man rarely parted from his portable computer, in his weekly open electronic letter on the Internet.

The energetic former Swedish prime minister acknowledged that the job, which Lord Owen is to leave at the end of this month after three years of fruitless peace-brokering, could easily be seen as a hopeless task to be quickly refused.

But he wrote that anyone with a deep commitment to peace in Europe could hardly say no to a sudden request to take on "perhaps the most important and most difficult of all missions in that long-term and so important struggle".

Acutely aware of the failures of western policy in Yugoslavia, Mr Bildt will be sober about the prospects facing him. But it is also clear that he does not intend to play a passive role.

In visits to London and Paris this week, in a stream of telephone calls and, no doubt, in electronic exchanges via his modem, he has been very careful to thrash out with EU leaders the terms of reference for his new post, which was confirmed last night.

He is a politician with a long record of engagement in foreign affairs, especially in European security issues, and an impressive network of close contacts among both western and eastern European leaders. He will want to help set the agenda rather than simply fol-

low one set for him by others. Mr Bildt's own record in Yugoslavia and the war in Bosnia does not suggest any desire to introduce a dramatic change in policy on his part. As prime minister from 1991 to late last year, he presided over the build-up of a 1,000-strong Swedish contingent in the UN forces and the acceptance by Sweden of a stream of refugees, mainly

from it. "One of the cornerstones of success of his mission is to have a unified approach from Moscow to Washington," said one Bildt adviser.

Although not yet 46 years old, Mr Bildt has extensive links with senior world leaders. As a fellow conservative (he leads Sweden's conservative Moderate party), he has a natural affinity with the present leaders of Germany, France and Britain - helped by his fluency in German and English and his good French. He is on particularly close terms with Mr Helmut Kohl, the German chancellor.

He is also on good terms with Mr Andrei Kozyrev, the Russian foreign minister. Mr Bildt has much experience of dealing with Moscow, playing a leading role in supporting the independence of the Baltic states and helping them fend off Russian pressure over troop withdrawals. These links may prove an invaluable asset. He is taking as his chief assistant Mr Björn Lyrval, head of the Russian desk in the Swedish Foreign Ministry.

Back home, the Swedish Social Democratic government, for whom Mr Bildt is customarily the arch political enemy, has fully supported his assuming the mediator's position. It genuinely regards the request for his services as a credit for a nation that is currently lacking self-confidence following a long series of economic problems.

The Social Democrats, slipping in the opinion polls, may also welcome the removal from the domestic scene of an effective political opponent.



Bildt: energetic

Muslims from Bosnia.

But he resisted any attempt to shift Sweden on to an overtly partial footing against the Serbs, warning that the resort to force by outsiders would simply escalate the war.

Where Mr Bildt is likely to try to make a difference is in providing a fresh approach and in better co-ordinating and sharpening the EU's policy. He intends to improve policy links with the US and, crucially, with Russia. He could thus either re-energise the five-nation "contact group" on Yugoslavia, or take the initiative

Denmark offers telecoms rights

By Hilary Barnes in Copenhagen

The Danish government yesterday said newcomers to its telecommunications market would have the same "rights of way" to establish infrastructure, including cables, as Tele Danmark, the partly privatised, state-controlled operator that dominates the market.

Announcing the next stage of deregulation, designed to ensure "real competition", the Ministry of Research said such newcomers would be allowed to use areas parallel to railways and motorways owned by public utility companies and at local level would be assured of the same rights as Tele Danmark to establish connections to end-users, including compulsory purchase.

All tele-sector companies will have to offer another company access to interconnection of their networks and services. Companies holding a dominant position would be required to offer other companies access to their networks.

Maximum price regulation

for charges to access to interconnection would be used to ensure new companies were given "fair and reasonable conditions" of competition, whether providing a general service or a niche service to special customers, it said.

The aim, said the ministry, was that by 2000 Denmark should enjoy the world's best and cheapest telecommunications service. Tele Danmark's share price fell by DKr7 to DKr310 yesterday.

The government hopes to avoid the situation which, officials claim, has arisen in such liberalised markets as Britain and Sweden, where the former monopoly suppliers, British Telecom and Telia, were so strong that real competition has failed to develop.

Sweden's Telia has already announced plans to capture a big slice of the Danish market as soon as deregulation allows it to take up the challenge while Tele Danmark, together with British Telecom and Norway's Tele Nor, announced plans this spring to challenge Telia's dominance in Sweden.

TV referendum turns voters off

By Robert Graham in Rome

Campaigning for Italy's 12 referendums being held tomorrow ended last night amid public confusion and political acrimony.

The only certainty to emerge was the unprecedented cost and complexity of staging Italy's biggest exercise in popular consultation. The ministry of the interior has been obliged to print almost 700m voting slips, accommodating each referendum subject on different-coloured sheets.

The sense of confusion was evident in the closing rallies staged by the various groups campaigning for and against the referendums. The referendum topics range from local electoral reform to anti-Mafia measures, union membership and a shake-up in the ownership of television. With such a vast array of issues, the political parties were unable to call for a consistent Yes or No vote on all 12 counts.

The three referendums directly affecting the future status of the three commercial television channels owned by Mr Silvio Berlusconi's Fininvest media empire absorbed the most attention to the last. Voters are being asked whether an individual should be allowed to retain three television channels and a virtual stranglehold over commercial advertising.

No one in the pro- or anti-

Berlusconi camps was willing yesterday to forecast the outcome in what promised to be a close battle. This stemmed from an apparent public indifference to the various debates. During the campaign, audience figures for the main television programmes discussing the referendums were unusually low.

A big programme staged on Canal 5, the flagship of Mr Berlusconi's three television channels, captured only 7 per cent of the national audience this week. A demonstration on Thursday in Rome by Fininvest employees protesting against the possibility of job losses if the referendum went against Mr Berlusconi drew little interest.

If this indifference is reflected in tomorrow's poll, Mr Berlusconi could well lose. His channels have won 45 per cent of the national audience, and his main hope is that he will attract voters who fear a No vote will remove their favourite programmes from Fininvest screens.

As the campaign ended, the threat of sanctions for political bias still hung over the Berlusconi channels. All week there was a battle to prevent a fine being imposed or the networks being blacked out for defying rulings by Italy's media watchdog commission. The penalties were staved off by a challenge lodged with a Milan regional court by Berlusconi supporters.

Chirac hurries to digest heavy agenda

By David Buchanan and John Riddling in Paris

French President Jacques Chirac was doing more than indulging in *mealpolitik* last night when he hosted a Elysée dinner for his 14 fellow European leaders.

As the European Union's most recently elected leader as well as its current president, Mr Chirac was in a hurry to do two things.

First, to hold an instant get-to-know-you session with leaders whose capitals he has not had a chance to visit in his three weeks in office, and in a more informal style than his Elysée predecessor, François Mitterrand. Hence the deliberate lack of a formal agenda to last night's session, whose only decision was to confirm Mr Carl Bildt, the former Swedish prime minister, to succeed

Lord Owen as EU mediator in ex-Yugoslavia.

Second, to retrieve France's presidency of the EU in the nick of time. For Mr Chirac has less than a week before he has to represent Europe at next Wednesday's US-EU summit in Washington, before going on to the Group of Seven summit in Halifax, Nova Scotia; barely four weeks before he hosts the EU summit in Cannes; and less than a month before France passes the EU presidency on to Spain.

Ironically, Mr Chirac's first order of EU business yesterday was to hold a pre-dinner chat with Mr Felipe González, Spain's prime minister, to discuss that handover - before he has much to hand over.

It was inevitable that the presidential campaign would punch a big hole in France's six-month presidency. But

many new ministers, including Alain Juppé, the prime minister, are now also busy running for mayor of various cities in the municipal elections this weekend. The upshot is the only major achievement of France's EU chairmanship so far is the controversial accord on a customs union with Turkey.

Mr Chirac's other continuing distraction is, of course, Bosnia. He has already reacted to the United Nations hostage crisis by giving his ministers and military a smack of firm Gaullism and ordering a firmer riposte by French troops to any further Serb aggression. As a result of this crisis, he has already spoken several times by telephone with prime minister John Major, whom Le Monde yesterday dubbed Mr Chirac's "brother-in-arms" in Bosnia.

This, plus the fact that after other EU leaders leave Mr Major is to stay on for bilateral talks this morning at the Elysée, have stirred speculation here over the extent to which Franco-British collaboration in Bosnia might carry over into EU business.

Lord Howe, the former UK foreign secretary, certainly hopes so. Speaking at the French National Assembly on Thursday, Lord Howe appealed to Mr Chirac whom he described as "the potential equal to Chancellor Kohl" - to prevent Germany foisting its "federalist" agenda on Europe at next year's inter-governmental conference.

At this stage it is most unlikely that Mr Chirac has any intention of playing such a role. Indeed he clearly signalled his desire for France to

move in step with Germany, and there seems little on his short-term agenda to prevent that. For example, in its push to get the EU to agree before Cannes on maintaining its level of development aid, Paris is now meeting more opposition from London than from Bonn.

If Mr Kohl confirms Lord Howe's federalist suspicions, next year could bring tensions across the Rhine. But for the moment it is best to judge Mr Chirac by his *mealpolitik* record. Less than 48 hours after his election, the new French president sped off to Strasbourg for a *dîner-a-deux* with the German chancellor. Back in 1993 the two men managed to eat two dinners in one evening in Budapest. With only a *café-a-deux* this morning, Mr Major has some catching up to do.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Niederungelplatz 3, 60318 Frankfurt am Main, Germany. Telephone: +49 69 291 200. Fax: +49 69 291 200 481. Telex: 316193. Registered in Frankfurt by J. Walter Smith, Wilhelmstr. 10, 60331 Köln. A. Kiemann as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of The Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and FT (Germany) Advertising Ltd, London. The shareholders of the above mentioned two companies are: The Financial Times Limited, Number One Southwark Bridge, London SE1 9PL, GERMANY.
Responsible for Advertising: Colin A. Kennedy, Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosenfeld-Strasse 34, 62683 Neu-Isenburg (owned by Harpers International, ISSN 0147-7343). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9PL, GERMANY.
Responsible Publisher: Hugh Carnegie, 481 618 6083, Printer: AB Kallidindienzen, Emission, PO Box 6007, S-250 06, Jönköping.
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Editor: Richard Lambert, Number One Southwark Bridge, London SE1 9PL.

INTERNATIONAL NEWS DIGEST

Spain, Germany sign tank deal

Mr Julián García Vargas, Spanish defence minister, signed a memorandum of understanding at Nato headquarters in Brussels yesterday with his German counterpart, Mr Volker Rühe, covering the joint production of 200 tanks, with deliveries spread over five years from 1998.

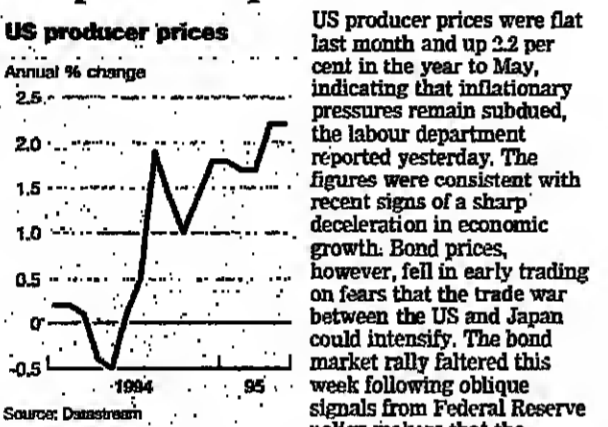
In the meantime, the German army will lease 108 Leopard 2 tanks to the Spanish army. These vehicles, due for delivery this year and next, are destined for Spanish mechanised units which have been assigned to the five-nation Eurocorps, made up of some 50,000 troops from France, Germany, Belgium, Luxembourg and Spain. Within the Eurocorps, the Leopard 2 is already in service in the German and Belgian armies. The Leopard 2 is made by the Bavarian-based company Krauss-Maffei, controlled by the Mannesmann group. The Spanish prime contractor under the co-production agreement, details of which have still to be finalised, will be the state-owned company Santa Bárbara. *David White, Madrid*

Hanoi cuts vehicle parts imports

A surprise decision by Vietnam's ministry of trade to cut import quotas for vehicle parts threatens the survival of two foreign-invested assembly plants and casts doubt over the viability of proposed foreign vehicle ventures. Assembly lines at Vietnam Motor Corporation and Mekong Corporation face stoppages as a result of the move, which limits the number of completely knocked-down kits for vehicles under 12 seats to only 2,000, far fewer than the amount company officials say is needed to maintain orders.

The decision was apparently aimed at helping to build up a local parts industry, but industry experts say it appeared to reflect insufficient co-ordination between the ministry of trade, responsible for setting import quotas, and the ministry of heavy industry, which governs vehicle policy. Vietnam recently granted licences to Germany's Daimler-Benz and Suzuki and Daihatsu of Japan to manufacture cars and commercial vehicles. The three are likely to face difficulties in launching their projects as poor local parts availability will force them initially to rely on imported kits, now limited under the new ruling. *Hanoi Correspondent*

US producer prices flat



On Wednesday Mr Alan Greenspan, Fed chairman, admitted the slowdown was "quite pronounced". But he said he did not expect a recession. Wall Street economists had expected producer prices for finished goods to rise by about 0.3 per cent following a 0.5 per cent gain in April. The flat reading last month largely reflected declines in the prices of food and energy. *Michael Prouse, Washington*

Russia agrees nuclear upgrades

Russian nuclear energy officials and plant managers yesterday signed a series of urgently needed short-term safety agreements totalling \$200m (€200m) with the European Bank for Reconstruction and Development. This is the first agreement with the Russian nuclear industry and the Federal Nuclear and Radiation Safety Authority (Gosatomnadzor) within the framework of the Nuclear Safety Account, set up after the G7 summit in Munich in 1992 and administered by the EBRD.

The NSA has already agreed safety upgrades to the Kozloduzh plant in Bulgaria and Ignalina in Lithuania. The deal will provide \$200m for safety measures at the partially completed Leningrad nuclear power complex and improvements at two other plants at Kola and Novovoronezh. Engineering and design work will be undertaken by Russian companies but procurement of equipment will be by open tender from east European and Russian companies as well as from the 14 donor states. *Anthony Robinson*

Japan will not join Iran embargo

Japan will not join the US in its embargo against Iran, the foreign ministry said yesterday. Mr Kensaku Hogen, director-general of the ministry's Middle Eastern and African affairs bureau, told Mr Rust Deming, minister-counsellor of the US embassy, that the Japanese government cannot easily restrict commercial activities between private companies and Iran. The decision reflects Japan's traditional reluctance to follow the US in imposing economic sanctions. While Japan participated in sanctions against Iran after the takeover of the US embassy there in 1979, it has tended to take the stance that countries should be encouraged to abandon internationally unacceptable behaviour through friendly discussion rather than coercion in the form of sanctions. Japan has, however, frozen a second package of yen loans to Iran in sympathy with the US position. *Michio Nakamoto, Tokyo*

HK court agreement applauded

Britain's agreement with China on the establishment of Hong Kong's supreme court was yesterday applauded by the international community and local business groups. The agreement over the setting up of the Court of Final Appeal, which will replace the Privy Council as the highest judicial body in Hong Kong, was welcomed as indicating to investors both in Hong Kong and overseas that the colony's legal framework would survive the transition to Chinese sovereignty in 1997. The American Consulate General said in a statement that the agreement, struck late on Thursday night, should send a positive signal to the people of Hong Kong and the international community. "It is a step forward in assuring the continuity of the rule of law so important to Hong Kong. Local political reaction was mixed, with the pro-democracy Democratic party vowing to fight it. The legal profession's response was muted with the Bar Council saying it was 'less than satisfactory', and the Law Society that it was too early to pass judgment. *Simon Holberton and Louise Lucas, Hong Kong*

Ontario votes in Conservatives

Ontario, with one-third of Canada's population and most of its manufacturing industry, have voted the Conservatives back to office after a 10-year absence. Premier-elect Mr Michael Harris, promised tax cuts, smaller government and a reversal of pro-labour legislation. The Conservatives won Thursday's election decisively with 52 of the provincial legislature's 130 seats and 45 per cent of the popular vote. Mr Harris overtook the Liberals late in the campaign and led the polls into the election. The Liberals took 31 per cent of the vote and the New Democrats 20 per cent. *Robert Gibbons, Montreal*

Pilots' strike disrupts SAS

All but a handful of Scandinavian Airlines System (SAS) flights were cancelled yesterday, hitting some 56,000 passengers, as pilots walked out on a 24-hour strike over a pay dispute. Further one-day strikes are threatened for Monday and Wednesday. *Hugh Carnegie, Stockholm*

Argentina warns on exploring for oil

By Jimmy Burns, Robert Corzine and Bruce Clark

Argentina yesterday threatened to take legal action against companies which sign oil exploration deals under a licensing round being planned unilaterally by the Falkland Islands government.

Mr Guido di Tella, foreign minister, said Argentina would resort to action if talks between London and Buenos Aires failed to produce a co-operative agreement for the joint exploration of the disputed waters around the islands.

"We will not accept any licences being granted unilaterally by the Falkland Islands government or the UK. Either we are part of the licensing round or we go for the courts. Our lawyers will present companies with letters within 24 hours of a licensing agreement being signed."

He was speaking the day after the first detailed bilateral talks in London on oil exploration in disputed south Atlantic waters with Mr Douglas Hurd, the British foreign secretary.

The Falkland Islands government yesterday said it had taken legal advice to counter any Argentine move to use US courts or the International Court of Justice in the Hague to block companies from taking part in the licensing round.

Mr Andrew Carr, the government's chief executive, described the Argentine statement as "a threat and a tangible threat". But he suggested that Argentina was getting worried as the autumn start of the licensing round approached. "They're getting more concerned so they're shouting louder."

Mr Carr said the licensing round would go ahead even without an agreement between the UK and Argentina. He will hold talks in London next week to finalise arrangements for the round.

Both the UK and Argentina are committed in principle to reaching a co-operative agreement on exploration around the Falklands. The UK Foreign Office said the talks were "progressing quite well" and "we both think it highly desirable to reach agreement during the summer".

But it said agreement in the talks was in no way a precondition for the start of licensing. The Falklanders were "perfectly entitled" to proceed with licensing on their own, and if Argentina took legal action to thwart this, "we would do what we can" to defend the islanders' case.

Buenos Aires rejects a UK offer for Argentine companies to participate in exploration in exchange for accepting that any oil found belongs to the UK. Argentina wants a share of any royalties or taxes and the establishment of a joint oil authority which would exclude the islanders.

"This would be similar to those which have allowed joint oil exploration to take place in disputed waters between Australia and Indonesia and Thailand and Malaysia."

Keating ignites republic debate

But some Australians fear a political hijack, writes Nikki Tait

When Mr Paul Keating, Australia's prime minister, finished delivering his blueprint for a republic to parliament on Wednesday night, visitors in the public galleries rose to their feet and applauded.

But while the debate over whether the country should cut its constitutional ties to the British monarchy has been enthusiastic, suspicions remain that politicians will eventually hijack the process for their own ends.

The prime minister has kept the message simple, hammering home the core contention that it is absurd for a nation with a strong national character to be represented by a foreigner.

"In proposing that our head of state should be an Australian, we are proposing nothing more than the obvious," he said on Wednesday. "It [the republican initiative] asserts nothing more than our unique identity. It expresses nothing more than what is required to make clear and unambiguous our independence and responsibility for our own affairs."

But no amount of plain talking can conceal the central difficulty - that while an increasing number of Australians support the proposition, they would also like to have some say in determining who the new Australian head of state would be.

The more say the electorate

Japan's economy clings on to recovery

Quarterly survey confounds fears of a backward slide, reports Gerard Baker

Fears that Japan's economy is on the brink of a sharp slide into renewed recession have been exaggerated, according to an influential report published by the Bank of Japan yesterday. The central bank said the results of its quarterly "tankan" survey of business confidence suggested that the economy was still on a gradual recovery path, though the high yen cast a shadow over prospects for the immediate future.

The report surveys the views of more than 9,000 companies in the manufacturing and non-manufacturing sectors. It has proved a generally reliable coincident indicator of economic activity in the past and is given considerable weight by the bank in the formation of its monetary policy.

Yesterday's survey, conducted during May, showed business confidence continuing to improve, confounding fears of economists and markets that the current combination of a soaring yen and continuing financial instability had undermined the already anemic recovery.

The key index showed a further rise in the balance of companies reporting favourable as against unfavourable conditions. Though the figures for both manufacturers and non-manufacturers were still nega-

tive, indicating a majority reporting unfavourable circumstances, both registered an improvement on the figure in the last survey in February.

The balance for manufacturers improved for the fifth consecutive month, from -21 to -16, while that for non-manufacturers went from -39 to -27.

But the bank warned there were signs that future prospects had been clouded slightly by the high yen. Expectations of conditions among manufacturers showed no improvement over the next three months - the first time for three years that industry has not been expecting the climate to get better. Exporters forecast a decline in exports in the period, as a result of the high yen and fears of a slowdown in the US economy. That decline offset an expected recovery in domestic demand.

The bank said the results indicated the economy was still on a recovery path. Economists noted that the survey had been conducted in May, at a time when the yen was strong, yet the figures had still shown growing confidence.

But some analysts were more sceptical. "Current conditions do indeed seem brighter than expected, but the forecast for the next few months is not encouraging," says Mr Toshio Koyano, economist at DKB

TANKAN SHORT-TERM ECONOMIC SURVEY OF ENTERPRISES IN JAPAN

	May	Aug	Nov	Feb	May	Sept
BUSINESS OUTLOOK						
Manufacturing	-50	-39	-29	-21	-16	-16
Non-Manufacturing	-42	-33	-30	-29	-27	-21
LABOUR MARKET CONDITIONS (LARGE ENTERPRISES)						
Manufacturing	36	33	32	30	31	28
Non-Manufacturing	15	18	18	18	18	14
INVESTMENT PLANS**						
Manufacturing	1993	1994	1995			
	-20.6	-13.3	8.1			
Non-Manufacturing	-8.2	-8.0	1.0			

* Difference between companies reporting "favourable" and those reporting "unfavourable". ** Difference between companies reporting "increase" and those reporting "decrease". Source: Bank of Japan

Research Institute. The stock market appeared to share that somewhat gloomier view and the Nikkei index of 225 leading stocks dropped again, to a 30-month low.

The Japanese economy plunged into its longest and deepest recession since the second world war in 1932 and registered negative growth in 1993. Last year the economy improved slightly with overall expansion of just 0.6 per cent. But so far this year signals have been mixed. In spite of the Kobe earthquake in January, industrial production rose strongly in the first three months of the year, thanks to impressive growth in the round-

ing an early recovery in consumption.

Labour market prospects remain bleak, with manufacturers reporting a deterioration in conditions for the first time in more than a year.

The survey revealed a widening gap between larger companies and smaller ones in most fields, with small businesses markedly more pessimistic about sales, profits and employment prospects than their larger counterparts, which have proved generally better at weathering the high yen by shifting production offshore.

The bank is markedly more upbeat than private forecasters about current monetary conditions. It dismissed fears about deflation, saying the survey found that the pace of decline in companies' output prices has decelerated. But there were indications from the report that deflation remains a source of concern, especially among smaller companies.

Output prices are still declining faster than input prices, a factor likely to squeeze wages and profits. And consumer prices are still falling. Though official figures show a decline of about 1 per cent year on year, most economists believe this understates the true pace of deflation, which could be as much as 5 per cent per year.

NEWS: UK

Member of European parliament denounces 'disloyalty' of colleagues in House of Commons

Insults deepen Conservative split on EU

By Kevin Brown,
Political Correspondent

The Conservative party's divisions on Europe widened markedly yesterday as a leading pro-European member of the European parliament launched a ferocious attack on the "outrageously disloyal" behaviour of rightwing Eurosceptics.

Mr Tom Spencer, chairman of the 18 Conservative members of the European parliament, said the party had been hijacked by Eurosceptic members of the House of Commons such as Mr Bill Cash and Mrs Teresa Gor-

man. He included in his criticism Lord Tebbit, the Thatcherite former chairman of the Conservative party.

Mr Spencer's deliberately aggressive remarks, in an interview with the Financial Times, coincide with a determined attempt by pro-Europeans across the political spectrum to recover lost ground. In a similarly robust outburst earlier this week, Mr Giles Radice, Labour chairman of the cross-party European Movement, described Eurosceptics of all parties as "xenophobic, nihilistic and fundamentally unpatriotic."

Mr Spencer, MEP for Surrey, said

there was "extreme annoyance in the broad acres of the party" about the "increasing arrogance" of Eurosceptic MPs who were "kicking the government in the shins."

He said the Eurosceptics had "an image of Dad's Army amateurism struggling against... a super state. [But] this is a well organised operation - a well organised conspiracy - and British decency is no longer a suitable antidote to it."

As part of the fight back against the Eurosceptics, Conservative MEPs are organising a conference in Nottingham next month, at which up to 600

party members from all 87 European parliament constituencies will be asked to endorse a series of pro-European resolutions.

The conference will hear rallying cries from prominent pro-European Tories such as Sir Leon Brittan, vice-president of the European Commission; Mrs Edwina Currie, a former health minister; and Mr Ray Whitney, chairman of the Positive European group of Tory MPs.

A key resolution will call for a more positive approach to the EU in the run-up to next year's intergovernmental conference, and deplore the damage

done by divisions among MPs to the party's prospects and the government's negotiating position in EU institutions.

However, the conference will seek to avoid embarrassing the prime minister on sensitive issues such as European monetary union by confining itself to supporting the government's decision to put off a decision until the next parliament. Pro-Europeans hope that the conference will prompt a surge of opposition to the Eurosceptics and encourage the party to fight the next general election on a more pro-European platform.

Think-tank warns of loss of influence

By Kevin Brown,
Political Correspondent

The case for UK participation in a European monetary union leading to a single currency has been given a boost in the report issued on Thursday by an influential committee headed by Lord Kingsdown, former governor of the Bank of England (the UK central bank).

The report was compiled by a group of politicians, economists and businessmen established by the Action Centre for Europe, a non-party think-tank. It says the UK would risk increasing marginalisation if it stood aside from monetary union.

It sets out evidence given to 14 inquiry sessions, including sceptical contributions from rightwing Conservative MPs such as Mr Norman Lamont, the former chancellor of the exchequer.

The report says the proposals for monetary union set out in the Maastricht treaty may be flawed, and a single currency could be destabilised by

member states unable or unwilling to abide by the required budgetary disciplines.

It also notes there is no precedent for a monetary union with a single currency being formed by sovereign states that would retain independent political, economic and fiscal systems. "Despite all precautions, monetary union will be something of a leap in the dark," it says.

"Even if the rules have been well prepared and the institutions properly designed, there can be no certainty in advance that it will work perfectly."

However, the report suggests repeatedly that the risks of remaining outside a monetary union established by a core group of member states are greater than those involved in taking part.

It concludes that the UK could look forward to lower inflation and interest rates inside a monetary union, because the system would inherit some of the Bundesbank's accumulated credibility. The report also suggests Lon-

don would remain Europe's leading financial centre within a monetary union, but might face a threat to its pre-eminence if the UK stayed aloof.

In a section on the political implications of a divided European Union, the report says it is "certain" that opting out of monetary union would lead to a loss of British influence on EU monetary policy.

"In the short term, it is already likely that the Ger-

mans and French will pay less attention to our views on the preparations for economic and monetary union if they assume that we intend to opt out," it says.

However, the report concludes "there is a growing question in the air" over German willingness to proceed with EMU unless monetary union is buttressed by further political integration of the EU. It says those member states which decide to go ahead "will

have taken a fundamental step towards a closer union", and warns that the key question facing the UK will be whether it wishes to "get closer" to its main economic and political partners or separate itself from them.

The report notes the assertion by Mr Kenneth Clarke, chancellor of the exchequer, that monetary union need not be a step on the path to a federal union, and reports that no witnesses challenged the propo-

sition that parliament's raising powers would be unaffected. It also rejects Mr Lamont's view that "a European government and a European state" on the grounds that other EU member states would not accept such an outcome. However, the report concedes that monetary union "cannot fail" to have political consequences through vastly increased economic interdependence.

The Birmingham Post

Double take on single currency

Nobody can be certain what effect the creation of a single European currency would have on the British economy. All the assertions, warnings and forecasts to which we are being subjected amount to little more than prejudice or guesswork. But at least the debate appears to have moved on a little from the simplistic view between 'little Englanders' and 'continental Europeans' which has dogged it so long.

The Prime Minister said yesterday that the whole debate could be academic because the day may never dawn when Britain must decide whether to join a single currency.

The criteria which countries must meet before a single currency is created are so strict and potentially ruinous that they may prove impossible to meet. If plans for a single currency were to fall at the first hurdle, that would be the best possible outcome for Britain and Europe.

Daily Mail

COMMENT

Once again, there was a soothing suggestion that a single currency would not really dilute the sovereignty of Parliament's right to tax and spend. But this time, an element of the truth was allowed to creep in. Commons sense suggests that in a 'Common sense' scenario, a large increase in tax and expenditure would be required to fund the political consequences.

For the first time, albeit grudgingly, pro-Europeans give the grumpy, any economist worth his salt knows that the control of exchange rates, interest rates and exchange rates is central to economic management. Yes, that is the control which advocates of a single currency propose to give away to a German-dominated Euro Bank.

THE SUN SAYS

Norse code

THERE are a lot of myths about the European single currency. One is that if we don't chuck away the Pound and switch to Eurodollars we'll be left behind as the Germans, French and a few others board a gravy train to the Promised Land.

That is claptrap. Just look at Norway, where the good citizens had the courage to vote against joining the EU, never mind ditching their currency.

Norway today is booming. More jobs, more investment, lower inflation. Who needs Europe? Yesterday's Kingsdown report, which urged Britain to gallop towards a single currency, would be a recipe for disaster if anyone such as Labour was daft enough to follow its advice.

Luckily, John Major's no fool. He appreciates the dangers for Britain of a single currency. We must say "no way," like Norway.

Former top regional executive arrested

Mr Roy Bichan, former deputy chairman of the Welsh Development Agency, was arrested and charged yesterday in connection with the affairs of Butte Mining, which has been the subject of a three-year investigation by the Serious Fraud Office, our Resources Staff writes.

He later appeared at a City of London court with two others previously charged in the Butte affair. They were Mr Clive Smith, the Midlands entrepreneur linked to the flotation of several natural resource companies in the 1980s, and Mr Malcolm Clews, who headed the Robertson Research group's minerals consultancy business that once advised Butte, a UK-quoted gold mining company which had operations in Montana.

The three were charged with two counts of conspiracy to defraud investors who bought Butte shares at its flotation in 1987 and those who dealt at the time of an acquisition in 1988. All three were remanded on unconditional bail.

Mr Bichan, 54, a geologist by training, was chairman of the Robertson group, a public company that was acquired for £23m by Simon Engineering in 1991. He was non-executive chairman of Butte between September 1987 and December 1988. His lawyer said he would contest the charges "vigorously".

'Black economy' believed to exceed \$100bn

By Robert Chota,
Economics Correspondent

Britain's black economy is thought to have generated about \$66bn (\$104bn) last year, with the poorest 20 per cent of the population financing about a third of their spending from income which they had not declared to the taxman.

People in the UK made an average of £1,140 each from activities disguised from the tax authorities in 1994, according to an analysis of official statistics by Taylor Nelson AGB, the country's largest market research company.

The study measured the black economy by assessing how far people's saving and spending fell short of the incomes they declared.

The proceeds of the black economy would provide the exchequer with an extra £24bn

of revenue if they were were taxed at the same rate as the rest of the economy. This would be enough to cut the basic rate of income tax by more than £0.10, more than reversing the tax increases imposed in the last two years. However, not all the activities yielding this income would be profitable enough to carry out if they were taxed.

"It is interesting to note that in absolute terms the very wealthy and extremely poor households (many of which are retired singletons) show the least propensity to be involved in black economy earnings. Their needs and/or opportunities are less overt," the Taylor Nelson report argued.

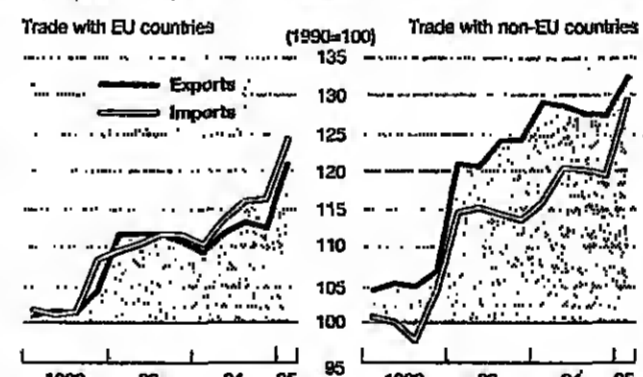
But poor households usually rely more on black economy earnings than rich ones. The poorest fifth of the population made \$9bn from black econ-

omy earnings last year, which was equivalent to 33 per cent of their spending and saving. The wealthiest fifth made £11bn, but this was equivalent to just 5 per cent of their spending and saving. On average UK households funded an eighth of their spending and saving from work in the black economy.

The report's estimate of the total value of the black economy is relatively large compared to other studies. Recent work by the Inland Revenue and Institute for Fiscal Studies suggested a figure of between £40bn and £55bn, or 6 per cent to 8 per cent of gross domestic product.

But the report argues that the UK's black economy is similar as a proportion of total national spending to other European countries.

Prices jump on currency turmoil



Prices of British exports to mainland Europe grew 8 per cent in the three months to March compared with the previous three months, while export prices outside the European Union rose 4.1 per cent. This rate of price growth is particularly striking, not least because it follows several months of subdued increases. The main factor in the surge has been currency turmoil.

Firm ends resistance to Maxwell audit probe

By Jim Kelly,
Accountancy Correspondent

Coopers & Lybrand

Coopers & Lybrand, the biggest UK accountancy firm, yesterday abandoned its long fight to postpone an investigation of its role in auditing the Maxwell Group pension funds. The move marks a victory for the accountancy profession's own inquiry unit - the Joint Disciplinary Scheme - which last year suffered a setback when it was temporarily barred from an investigation into Price Waterhouse, Accountancy and government regulators feared that a further rebuff for the scheme might mean that they

too could be prevented from taking swift action in cases where civil or criminal legal action was pending.

The appeal is also seen as highly significant by the profession in establishing the authority of the JDS at a time when the future of self-regulation within the sector is the subject of a radical review. Several other accountancy firms are tracking the case because they are likely to face investigation by the JDS in cases unrelated to Maxwell.

Coopers appeared in February this year in an effort to stall the investigation until civil and criminal court actions involving the Maxwell case have been through the courts. It argued that an inquiry by the regulator could

be prejudicial to the court cases. It is understood that Coopers has dropped its appeal because the wide-ranging settlement recently agreed with the Maxwell pensioners, to which it contributed up to £50m (£78.5m) had removed much of the overlap between the investigation and civil litigation.

Coopers also argued that an investigation which found against it could have catastrophic consequences because the JDS has wide-ranging powers of penalty - which it has recently used in disciplining accountants involved in the auditing of Barlow Clowes.

In December last year the High Court dismissed Coopers' attempt to stop the investigation by the JDS. The judgment

stated that "the question should be addressed promptly, and its resolution should not be delayed and be dependent on the final resolution of civil proceedings, which may be some years off".

Last April Price Waterhouse was successful in getting the High Court in London to postpone a JDS inquiry into its audit of Bank of Credit and Commerce International. That ruling meant the JDS inquiry would have to wait until criminal and civil actions involving BCCI were at an end - which is unlikely before the year 2000.

The High Court judgment relating to Coopers specifically pointed out that its case should not be compared to that of Price Waterhouse - which was on a much larger scale.

Police and Customs officers have made their first big seizure of drugs being smuggled through the Channel tunnel between England and France. About 25,000 Ecstasy tablets were found hidden in the spare tyre of a Ford Granada which was stopped at the tunnel entrance in France. The car was heading for England from Belgium.

Police seize guns: Police in the port of Liverpool in north-west England arrested four men and seized nine guns and 400 rounds of ammunition in a drive against a series of street shootings. There have been 13 shootings in the city since May 1 when a gang leader was killed.

IBM and EDS are closing quickly on the position of leading supplier held by Fujitsu's ICL offshoot

Consolidation accompanies growth in software

By Paul Taylor in London

Mergers and acquisitions in the computer software and services industry in North America and Europe are leading to greater concentration.

In the US the trend towards consolidation has been highlighted by Computer Associates's \$1.7bn proposed acquisition of Legent, the mainframe software vendor, and is one factor behind IBM's hostile \$3.3bn bid for Lotus Development, the desktop computer software group.

"There is a need to get bigger and to become a certain size to keep growth up," said Mr Victor Bista, UK managing director of Broadview Associates, the consultancy specialising in mergers and acquisitions.

in the information technology industry.

According to Broadview, the total value of US software product and services mergers and acquisitions rose from \$2.5bn in 1992 to \$5bn in 1993 and \$8bn last year.

In Europe, the recently completed acquisition of ACT, the UK-based software group, by rival Misyms marked another step in the consolidation of the financial software sector.

Two main factors have been driving this trend: the price of software, particularly shrink-wrapped products for personal computers, is falling, while the investment required to fund the development of innovative products is climbing.

A similar pattern is emerging in computer services

as competition squeezes margins and the risks involved in large products mean only the largest players can bid.

The consolidation of the UK computer software and services industry - coupled with its renewed vigour highlighted in an analysis of the financial performance of the sector about to be published by Holway Research Associates.

The report, based on an analysis of the 1,250 companies, shows that the UK software and computer services market grew 14 per cent to £7.75bn last year, faster than the 11 per cent growth recorded in 1993.

It also shows that the top 10 suppliers to the UK market increased their revenues 24 per cent and now account for a

third of total UK software and computer services revenues, while the top 40 represent over 70 per cent. "There is no doubt that the consolidation trend will continue," says Mr Richard Holway, author of the report. "The big are getting bigger and bigger."

According to the Holway figures, ICL, the computer and computer services group majority-owned by Fujitsu of Japan, kept top place with software and computer services revenues of £455m last year, up 10 per cent. But its two main rivals, IBM and EDS, both of the US, are catching up fast.

IBM had a 45 per cent increase in computer software and services revenues in the UK last year to £365m, while EDS, which is to acquire AT

Kearney, the international management consultancy business, reported a 24 per cent increase to £310m.

Mr Holway identifies the switch from in-house spending to outsourcing as being the single main reason for this high growth. The combined applications management and facilities management markets grew by an unprecedented 37 per cent last year.

EDS, which has won several large public and private sector outsourcing contracts in the UK, dislodged Hoskyns, part of the French quoted Cap Gemini Sogefi group, as the largest outsourcing provider in 1994. This year EDS is expected to at least double its outsourcing revenues while Computer Sciences, which earlier this year signed a £500m ten-year

deal with Lucas, has also been growing its revenues quickly.

The UK also had by far the fastest software and computer services revenue growth in Europe, even though none of the 20 largest suppliers in Europe are UK-owned. The largest UK-owned company is the merged Misyms/ACT.

The Holway figures show that pre-tax profits in the UK software and computer services industry continued to recover strongly last year, growing by 32 per cent. But again companies quoted on the London Stock Exchange performed less well than private companies or the UK-based subsidiaries of multinationals.

Profits at non-quoted companies increased by 44 per cent. An unprecedented 64 per

UK NEWS DIGEST

Former top man at Warner Bros backs cinemas

Mr Steve Wiener, the former chief executive of Warner Bros Theatres, intends to launch a chain of multi-screen cinemas in the UK with an investment of up to \$40m (\$62m). Mr Wiener and his company Cine UK was set up with the backing of Botta and Co, the boutique investment bank interested in bidding for the MGM cinema circuit. Lord Chandos at Botta said yesterday that as the price of the MGM cinema deal rose the group decided to build its own cinema.

Botta, J.P. Morgan and the Rothschilds investment trust have put up an initial £15m, but at least \$40m is likely to be available if planning permission is obtained for the right sites. The company is considering an initial 14 cinemas with between 10 and 12 screens each. In most areas the new cinemas will be part of a leisure and retail complex. Legal negotiations have already begun on a number of sites, and the first could open at the end of next year. Cine UK intends to launch in mainland Europe as soon as the UK chain is properly established. Raymond Snoddy, Consumer Industries Staff

Taxman dons bowler hat again

For years the Inland Revenue has tried to get away from the image of the taxman as a pinstriped, bowler-hatted, white, middle-aged male. But the Revenue has admitted defeat by using the stereotype to introduce self-assessment in its biggest advertising campaign. A cartoon taxman with a bowler hat and striped trousers and the voice of the actor Sir Alec Guinness is spearheading the £25m (£44m) three-year campaign aimed at enabling about 9m taxpayers to understand what will be expected of them in the switch to self-assessment taxation in April 1997. Mr Mike Davis, managing director of the advertising agency behind the campaign, Leagas Shafston Davis Ayer, said other images had been tested, but had been rejected by the public. "The taxman is everyone's symbol of the Inland Revenue, so who could be more natural as a spokesman for this major change," he admitted. The Revenue workforce is mostly female, multiracial and, on average, 30-something, but like the public do not take every image they see on TV at face value. Diane Summers, Marketing Correspondent

Court blocks coal disruption

R.J.B. Mining, the company which acquired the state-owned British Coal's mines in England, was granted a High Court injunction to prevent 4,000 miners launching a series of one-day strikes over pay. The NUM mining union, which had set strikes for next Tuesday and Friday, said the law had been "stood on its head" and mounted an immediate appeal. Andrew Bolger, Employment Correspondent

Barclays workers to strike again

Workers at Barclays Bank are to stage a second one-day strike in protest at an imposed 2.75 per cent pay rise. However, Rifu, the banking union, and Unifi, the staff union, have chosen different dates for disruption. Barclays has refused to reopen wage talks, saying workers are being paid bonuses as well as the basic rise of 2.75 per cent. Barclays said it was "sad" that another strike had been called but repeated it had no intention of reopening pay talks. Lisa Wood, Employment Staff

Domestic flights increase

The number of passengers flying between the largest British airports and north America was up 12.7 per cent last month compared with May last year. Other long-haul routes were up 11.7 per cent, but charter services rose only 3.7 per cent and mainland European routes went up 2.8 per cent. The figures were issued by BAA, owner of the seven biggest British airports. Domestic passenger numbers were up 10.2 per cent last month. London Heathrow had 6.6 per cent more passengers than in May last year and London Gatwick 8 per cent more. PA News

Correction: truck market

A data transmission error led to under-reporting of heavy commercial vehicle registrations in the commercial vehicle registrations table on Wednesday. The amended statistics are:

Heavy trucks (over 15 tonnes)				
	Volume (Units)	Value (£m)	Share (%)	Share (%)
Total	14,081	5,515	100.0	100.0
Scania (Volvo)	2,497	853.3	17.5	15.3
Leyland DAF (DAF Trucks)	2,459	792.1	17.3	15.3
Volvo	2,415	848.2	17.2	15.3
Isuzu group (Fiat)	1,746	549.7	12.4	13.3
Mercedes-Benz (Daimler-Benz)	1,722	543.7	12.3	13.3
EFF	1,365	453.1	10.3	10.3
MAN	638	46.1	4.7	5.5
Renault	500	32.8	3.6	4.1

(figures in brackets indicate ownership)
*Includes Isuzu Fiat and Scania Allison.
Source: Society of Motor Manufacturers and Traders and industry estimates.

First drugs haul: Police and Customs officers have made their first big seizure of drugs being smuggled through the Channel tunnel between England and France. About 25,000 Ecstasy tablets were found hidden in the spare tyre of a Ford Granada which was stopped at the tunnel entrance in France. The car was heading for England from Belgium.

Police seize guns: Police in the port of Liverpool in north-west England arrested four men and seized nine guns and 400 rounds of ammunition in a drive against a series of street shootings. There have been 13 shootings in the city since May 1 when a gang leader was killed.

Software and computing services

Rank	Company	1991	1992	1993	1994	Growth
1	ICL UK CSI Revenues	250	320	415	485	28%
2	IBM UK CSI Revenues	170	208	265	335	19%
3	EDS UK	232	255	250	270	0%
4	Anderson Consulting UK	122	215	247	275	14%
5	Santra Group	145	172	212	255	17%
6	Microsoft UK	87	100	150	205	23%
7	Hoskyns	165	173	183	197	6%
8	ACT Group	91	106	127	150	26%
9	Synergia	160	172	188	179	-5%
10	AT&T Intel - Business Unit	150	150	130	120	-13%
11	Oracle UK	91	106	144	165	19%
12	Logica	101	106	116	124	7%
13	Digital UK CSI Revenues	79	106	110	131	19%
14	McDermott Info. Systems	130	118	112	118	5%
15	Essams	46	58	48	71	50%
Average Increase (%)			14.3	13.6	21.0	

Suppliers with UK CSI Revenues greater than £100m in 1994.
cent of the companies tracked improved their financial performance last year and the lowest proportion on record - 15 per cent - reported losses. But Mr Holway notes: "An alarming 29 per of all the companies in our database failed the liquidity test - their current liabilities exceed current assets." That includes Enterprise Computers, which called in the receivers last month.

Water group becomes fifth utility to cheer customers and investors

Welsh gives rebate and pay-out

By Motoko Rich

Shares in Welsh Water rose 15p to 650p yesterday as it became the fifth utility to promise special pay-outs to shareholders and customers.

The group unveiled its programme despite a 16.5 per cent fall in pre-tax profits in the year to March 31.

For shareholders, it launched a share capital restructuring package and a special 6p per share dividend. The total dividend rose 33.5 per cent to 33.5p (35.4p), which it said would be the base for future growth.

Shareholders would also be issued nine redeemable preference shares of £1 each for each holding of 10 ordinary shares, and receive five new ordinary shares for each holding of six existing shares. The share con-

solidation accounted for part of the rise in the dividend.

For customers, the group said it would distribute £40m over four years, comprised of a £3 rebate per customer per year.

In addition to the customer rebates, it said it would invest £38m on environmental improvements. Mr Iain Evans, chairman, said this discretionary capital expenditure would most likely be spent on coastal sewage works, but would be determined after customer consultation. He said the spending programme would result in a £15m benefit to customers.

Shareholder and customer packages are worth about £55m each.

Pre-tax profits declined from £144.2m to £120.4m as the company reported £4.8m losses at Acer, its motorway design business.

Turnover rose 1.9 per cent to £521.9m from £512.1m. The pre-tax loss was hit by exceptional charges of £28.5m. The figure included £17m for the restructuring of the regulated business to cover the cost of voluntary redundancies, and £11.5m for the reorganisation of Acer. Earnings per share fell to 59.5p (58.2p).

COMMENT

Welsh Water says its package to return value to shareholders and customers is the most creative among utility companies which have announced such



Iain Evans: environmental improvements might be on coastal sewage works, but would be decided after asking customers

programmes thus far. In the short term, it is certainly more tax efficient, because the company will not pay advance corporation tax on preference shares. But in the long term, preference dividends are paid after tax, which does not provide tax benefits. In addition, the package is unlikely to deflect political or regulatory concerns. The company may believe preference shares are less contentious because it does not appear to be handing cash back to shareholders. But at the end of the day, they are

replacing equity with debt - the same thing that happens with a bonus dividend or share buy-back. The share consolidation also means that the rise in Welsh's dividend is not as generous as it seems. Meanwhile, the results were in line with expectations, though second-half losses at Acer did not grow as fast as they did in the first half. On a pre-tax forecast of £15m, that gives a yield of about 6.7 per cent. The shares, which reacted favourably to the share restructuring package, are fair value.

Analysts upgrade Tesco forecasts

By Neil Buckley

Analysts yesterday upgraded profits forecasts for Tesco, the food retailer, after it announced total sales were running 16 per cent higher than last year, with like-for-like sales, which exclude new stores, 7 per cent higher.

Sir Ian MacLaurin, chairman, told the annual meeting - which included sharp questioning about his pay increase to more than £1m last year - that the sales growth reported at the annual results in April had continued during the past nine weeks. The growth was credited partly to Clubcard, Tesco's national loyalty card scheme begun in February.

Gross margins were running at about 0.1 percentage points lower than last year, but the company expected gross margins for the full year to be "the same or a little lower" than last year. Analysts upgraded annual pre-tax profit forecasts from about £665m to between £675m and £680m.

Sir Ian faced a series of questions on his 27 per cent increase in total remuneration to £1,012,000, comprising a basic salary of £578,000, a short-term bonus of £200,000 and a long-term bonus of £134,000. The board was also questioned on its executive share options scheme, after Sir Ian netted £482,000 last year by exercising almost 800,000 options, and five other directors together realised more than £1m.

Sir Ian said Tesco had no plans to replace its executive share option scheme with a long-term incentive plan, as companies such as Boots, British Gas, Yorkshire Electricity and Guardian Royal Exchange have done recently. However, he said the company would consider any recommendations on share options emerging from the Greenbury committee executive pay.

He insisted that salary levels were justified by the group's performance and the long-term value it had delivered to shareholders; Tesco was, however, reducing directors' rolling contracts from three years to two. ● Bentalls, the south of England department store group, told shareholders at its annual meeting yesterday that sales were running 4.2 per cent ahead of last year, despite a disappointing May. However, Edward Bentall, chairman, warned that consumer confidence remained weak.

Board changes as Wm Cook turns in 15% rise to £7.7m

By Ian Hamilton Fawcett, Northern Correspondent

William Cook, the Sheffield-based castings manufacturer which exports 70 per cent of its production, yesterday announced a series of boardroom changes as it unveiled a 15 per cent increase in pre-tax profits from £6.7m to £7.7m.

Trading profit was 10 per cent ahead at £7.66m, with the rest of the pre-tax improvement coming from lower interest charges as gearing was reduced from 30 per cent to 20 per cent. Turnover for the year to March 25 rose 6 per cent to £104.5m (£98.7m).

A final dividend of 5.7p gives a total of 8.25p (7.5p). Earnings per share rose 13 per cent to 23.48p (20.78p). Mr Andrew Cook, chairman and chief executive, also announced the appointment of two non-executive directors - Mr Robert Pickford, a Sheffield solicitor, and Mr Ian Porter, a South Yorkshire industrialist - following the resignation of Mr Jeremy Hardie, recently named chairman of W.H. Smith.

Mr Roy Henson, a former executive director who ran Cook's Parkway plant, also joins the board. He retired because of a back injury in 1991, but has now recovered and is acting as Cook's production trouble-shooter.

Mr Cook said continuous investment was achieving long-term productivity improvement at Cook's seven factories in northern England and the Midlands.

Correction London Insurance

London Insurance Market Investment Trust's estimate that it achieved at least a 7 per cent return on its 1994 underwriting capacity was made before taking account of the impact of the Lloyd's recovery plan, not after, as reported in yesterday's Financial Times.

MAM has become a lucrative workplace

By Nicholas Denton

The status of Mercury Asset Management as one of the most lucrative workplaces in the fund management industry was underlined yesterday as it revealed it would have to pay £24.2m more in future bonuses to directors and employees.

Its future liability under the special performance related pay scheme increased from £44.2m to £68.4m, according to annual accounts published yesterday.

MAM, which is being demerged from the S.G. Warburg investment banking group, also revealed that one director received £522,000 in

the first pay-outs under the scheme's terms. The award was in addition to his basic salary and share of profits and took his total pay to £961,000.

MAM directors, as shareholders, also stand to benefit from a special dividend of £15m paid to all minority shareholders as part of the demerger of Warburg and the sale of its investment banking businesses to Swiss Bank Corporation.

Managers of MAM, which successfully opposed an earlier deal between Morgan Stanley and Warburg, had urged Warburg and SBC to treat MAM's minority shareholders generously.

MAM said the increase in the

bonus liability resulted from an increase in the MAM share price; an expansion of the plan to include more employees; and a continuing build-up of the schemes set up in 1989. In the early years of a deferred pay scheme, a company builds up liabilities and only later makes payments to staff. Meanwhile, Warburg and MAM issued the details of their divorce and SBC's acquisition. Warburg shareholders will get less cash and more MAM shares than expected, but the net effect is marginal. Every Warburg share will entitle the owner to 0.559 MAM shares and 335p under the revised conditions.

Protean up 40% and cash call to fund German deal

By David Blackwell

Protean, the laboratory equipment and water purification group, yesterday announced a 40 per cent rise in profits and a rights issue to fund a German acquisition.

The 1-for-4 rights issue at 197p, underwritten by Hill Samuel, will raise a net £14.6m. It will be used to buy Walther, a privately-owned maker and distributor of water purification equipment specialising in renal dialysis. The cash price is £12.5m.

Mr Peter Ryan, chairman, said the acquisition "will put us firmly into the German market, where we have wanted to be for a long time". The company would provide a good base from which to expand sales of the group's existing products.

The shares yesterday eased 4p to 230p. Mr Geoff Spink, managing director, said Walther was the brand leader in renal dialysis in Germany. Its water purifica-

tion technology was similar to Protean's. "It's a classic Protean deal - a niche market specialist with a leading brand," he said.

Walther, based near Heidelberg, has net assets of about £3.5m. Last year it made DM4.97m (£2m) on turnover of DM22.9m.

Protean's pre-tax profits for the year to the end of March rose from £5.39m to £7.54m, while turnover increased from £42.2m to £52m. Jenway, the Essex-based bench-top monitoring and analysis equipment manufacturer bought for £4.15m last year, contributed £445,000 to profits and £2.47m to turnover.

Last year's acquisition left the group with borrowings of £3.4m at the end of the year, giving gearing of 31 per cent compared with zero gearing previously.

Earnings per share rose from 12.52p to 15.59p. A final dividend of 4.25p is proposed, taking the year's total to 5.6p from 4.75p.

Shell to sell 27 Turkish oilfields

By Robert Corzine

Shell, the Anglo-Dutch oil group, yesterday put up for sale 27 producing oil fields in south east Turkey as part of a worldwide commercial reassessment of its oil and gas reserves.

The company said NV Turkse Shell, which operates the fields from its base in Diyarbakir, was "no longer of strategic interest" within the context of Shell's worldwide exploration and production activities. Current production is 13,400 barrels a day, compared with Shell's worldwide total of 2m.

The current review of upstream assets is intended to identify reserves in which there is little future potential. Earlier this year Shell announced the sale of some assets in Colombia as part of the exercise.

The company's extensive downstream operations in Turkey, including a share in the Mersin refinery and 630 service stations, will not be affected. Shell intends to complete the Turkish sale by the end of the year.

Placing puts value of Oasis at about £75m

By David Blackwell

Oasis, the women's wear chain is coming to market next week with a placing expected to value it at about £75m.

The group, which a year ago delayed flotation plans because of the state of the market, will publish its pathfinder prospectus on Monday. It will be placing £25m worth of shares through Robert Fleming. Brokers are Société Générale Strauss Turnbull.

The shares are currently 60 per cent owned by the management, including Michael and Maurice Bennett, brothers who teamed up with designer Jeff Banks in the 1970s to create the Warehouse high street chain. The management is expected to sell about one-third of its stake.

The Bennetts bought Oasis from the receiver for £1.6m four years ago. In the year to January 31, it boosted pre-tax profits from £5.6m to £9.2m on turnover of £47.1m (£29.3m).

Orbis picks up and makes acquisition

Orbis, the supplier of lighting and security products, is acquiring Galesnet (Electronics) for £7.67m.

It also reported full-year pre-tax profits of £198,000, against a loss of £482,000 last time, having returned to the black at interim stage. Exceptional charges for losses on disposals were £236,000 (£236,000). Galesnet designs, installs and maintains closed circuit television, access control and perimeter protection systems. In the nine months to March 31 it had pre-tax profits of £867,000 on turnover of £4.17m.

Orbis will pay £5.67m in cash and shares and transfer gilt-edged securities worth £2m to the vendors. It will also redeem the £700,000 existing loan stock to two of the directors.

The deal will be funded from existing bank facilities and the enlarged group's resources. Orbis's turnover for the year to March 31 was £10m, up from £2.63m. A final dividend of 0.4p is recommended, for a total of 0.525p (0.5p), payable from earnings per share of 0.7p (11.4p losses).

Nynex valued at £1.3bn with 137p flotation price

By Christopher Price

The flow of good news from the cable sector continued yesterday when Nynex CableComms, the UK's second biggest operator, announced the share price for its flotation within the forecast range.

The offer price of 137p values Nynex at £1.3bn. The shares began trading in London and on Nasdaq, the US exchange, at about 230p, London time and closed fractionally above the offer level.

There had been fears that the pricing would fall foul of recent investor unease over the cable sector. This has led to declining share prices among

existing listed operators and lowering of price expectations for those attempting a listing. Large investors have also complained of fatigue over the number of cable issues coming to the market, particularly in the US.

The biggest boost to Nynex came on Thursday when TeleWest, the largest UK cable group, merged with SBC CableComms in a move which is expected to be followed by further consolidation in the industry.

Besides underlining the strong hand which the bigger companies will have in any other mergers and takeovers, the deal also concentrated

investors' minds on the valuations of the companies, sector and market.

The combined TeleWest will have a market capitalisation of around £2.3bn, catapulting it into the FTSE 100. The merger also removed another potential flotation contender which would have further diluted investment.

Net proceeds from the issue will amount to £363m. Last month, the group was forced to scale back its flotation to accommodate investor reticence about the UK cable communications sector. After the offering, Nynex Corporation, the US parent, will hold about 67 per cent.

'Resilient' core businesses help St James's to £18.7m

By Patrick Harverson

St James's Place Capital, the financial services group run by Lord Rothschild and Sir Mark Weinberg, yesterday reported a pre-tax profit of £18.7m for the year to March 31 and net assets per share of 83.7p.

Although this was well below the £79.2m profit and 86.3p of net assets reported a year earlier, the company said a comparison between the two periods was unsuitable. Results for the year to March 31 1994 had been boosted substantially by a one-off £26.5m gain on the disposal of a stake in RIT Capital Partners and unusually favourable market conditions.

Also, in the previous year SJPC had the benefit of an additional £135m of capital which was distributed to shareholders in the form of cash and shares in RIT Capital.

However, the company said the performance of its two core businesses, life assurance and investment management, had been "resilient" in the face of unsettled market conditions. Amid volatile financial markets, SJPC made a profit on its investment portfolio of £12.7m, against £35.8m last time.

In a year dominated by rising interest rates and currency volatility, the company said it had taken a conservative stance on its investments, focusing on the preservation of capital.

Investment management profits fell to £7.7m (£27.7m), while the life assurance business contributed £3.4m (£9.8m). New premium income rose £428.4m, an increase of 30 per cent. Expenses were down slightly at £10.1m.

A final dividend of 1.5p was proposed, making an unchanged total of 3p.

Cleveland purchase and £5.1m placing

Cleveland Trust, the industrial and property investment group, is acquiring North Eastern Industrial Properties from Hunting Gate Group and others for about £6.5m in cash.

In order to fund the purchase, Cleveland plans to raise about £5.1m net in a placing and 1-for-2 open offer of 6.28m new ordinary shares at 80p each.

The balance will be satisfied by bank borrowing. NEIP, which invests in industrial property mainly in the north-east of England, had net assets of £6.6m at July 31 1994. Its portfolio of eight

industrial estates generates rental income of £16m a year. Cleveland also announced a 12 per cent increase in pre-tax profits for the year to March 31, its first full year as a listed company. On turnover of £22.2m (£20.6m) the pre-tax outcome amounted to £772,000 (£687,000).

A proposed final dividend of 3.3p brings the total to 5.7p (2.5p), payable from earnings per share of 6.1p (3.5p).

Net asset value per share at the year-end stood at 101.5p (99.2p). The placing is underwritten by UBS.

BA chairman's bonus doubles

Sir Colin Marshall, chairman of British Airways, saw his performance-related bonus more than double from £92,000 to £184,000 last year after the carrier's profits - before provisions - rose 61 per cent.

His basic salary rose by a more modest 2.5 per cent to £287,000 which, together with other benefits and share appreciation rights, lifted his total package 15 per cent from £665,000 to £765,000.

The performance-related bonus of Mr Robert Ayling, group managing director, rose from £37,000 to £150,000. His total remuneration increased 38 per cent from £381,000 to £508,000.

RESULTS

Company	Period	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends in arrears (p)	Total for year (p)	Total for year (£m)
Cleveland	Yr to Mar 31	222	(2.06)	0.772	0.387	8.1	(8.9)	3.3	2.3
Cohen (A)	Yr to Dec 31	781	(78.2)	1.77	0.522	63	(51.1)	7.5	7.5
Bank (William)	Yr to Mar 31	104.5	(88.7)	7.7	(8.71)	23.48	(20.73)	5.75	8.25
Deer Valley	Yr to Mar 31	11.5	(10.7)	4.464	(3.57)	24.9	(24.5)	7	7.0725
Falstaff	Yr to Dec 31	21.4	(11.8)	2.311	(6.994)	12.11	(38.28)	0.4	10.517
Galesnet	Yr to Mar 31	10	(2.63)	0.1894	(0.4824)	0.7	(11.4)	0.5	0.5
Galesnet & Little	Yr to Mar 31	25.05	(20.98)	3.54	(2.6)	37	(23.4)	9.5	0.25
Galesnet & Little	Yr to Mar 31	17.1	(12.3)	12.7	(11.8)	5.84	(5.04)	1.88	2.88
Orbis	Yr to Mar 31	64.5	(42.2)	7.54	(5.36)	15.26	(12.92)	4.25	5.6
Park Food	Yr to Mar 31	4.14	(4.1)	(3.308)	(0.254)	11.31	(5.57)	1.75	3
Protean	Yr to Mar 31	3.2	(3.3)	0.15	(0.3)	1.01	(0.08)	0.92	2.5
Sonic	6 mths to Apr 30	()	()	18.7	(19.2)	5.7	(17.8)	1.5	3
St James's Place	Yr to Mar 31	521.9	(512.1)	120.44	(44.2)	69.6	(68.2)	24.6	33.9
Welsh Water	Yr to Mar 31	521.9	(512.1)	120.44	(44.2)	69.6	(68.2)	24.6	33.9
Investment Trusts	Yr to Apr 30	207	(180)	1.2	(0.85)	5.6	(5.1)	2.9	4.4
Dunelm Enterprises	Yr to Apr 30	207	(180)	1.2	(0.85)	5.6	(5.1)	2.9	4.4

Dividends shown net. Figure in brackets are for corresponding period. ↑On increased capital. *SUSM stock. *Plus 4p special supplementary dividend. □Revised following exercise of warrants. *After exceptional charge. *Foreign income dividend.

The Financial Times plans to publish a Survey on

Spain

on Friday, June 30

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FT Surveys

INTERNATIONAL COMPANIES AND FINANCE

International Paper in bid to oust Holvis board

By Tim Burt in London

International Paper of the US yesterday announced plans to oust the board of Holvis, the Swiss paper distribution and non-woven textiles company, and pursue legal action over a rival bid by Britain's BBA Group.

IP, the world's largest paper company, said Holvis had "failed" its shareholders by accepting a \$F466m (\$37.84m) offer from BBA in Switzerland's first hostile takeover battle.

It also accused the directors of acting illegally by signing a separate deal to sell Fiberweb, its non-woven textiles subsidiary, to BBA even if a higher bid emerged for the whole company.

The US group - which saw its \$F435-a-share bid for Holvis trumped by BBA's \$F600-a-share offer last month - has promised to increase its bid to \$F550 if Holvis abandoned the Fiberweb "lock-out".

IP hopes to overturn that deal at an extraordinary shareholder meeting, where it will nominate new directors. They include Mr Hans Eisenring, president of Swiss Federal Railways, and Mr Nico Isenmann, chief executive of Adia, one of the country's leading recruitment companies.

IP, which has acquired 25 per cent of Holvis from Mercury Asset Management, requisitioned the meeting after the Swiss takeover commission decided on Wednesday that the Fiberweb deal did not flout the country's takeover code.

Mr Milan Turk, senior vice-president at IP, said the company would next week ask the Swiss civil court to impose a restraining order preventing Holvis from selling any material assets without shareholder approval. "We are contemplating other steps to prevent this deal going through," he added.

Mr Turk, who has already secured a temporary injunction preventing Holvis's directors

from selling 67,000 unissued treasury shares to BBA, said IP was confident of winning a further ruling that could force the UK group to extend its offer.

The move prompted a cool response from BBA, which yesterday wrote to Holvis shareholders saying its offer remained the best available.

Officials close to the company questioned whether the Swiss courts could delay the takeover timetable and claimed that even if IP was able to oust the Holvis board, the new directors could not tear up the "water-tight" deal for Fiberweb. Holvis, which said it was studying IP's action, warned that a shareholder meeting was unlikely to take place before June 30, the date on which BBA's offer becomes unconditional.

Documents made available by IP, meanwhile, were said to show that it planned to sell Holvis's distribution business to Arjo Wiggins Appleton, the UK paper group, for \$F300m.

Deutsche Bank hires Merrill executives

By Nicholas Denton in London

Deutsche Bank has taken another step in building up its investment banking activities by appointing two senior executives from Merrill Lynch, the largest US stockbroker.

Mr Grant Kvalheim, head of Merrill's North American capital markets operation, is to become head of debt capital markets in the region for the German bank, it said yesterday. Mr Michael Philipp, head of equity derivatives at Merrill, takes the position of head of global market sales at Deutsche Bank in London.

Pay is understood not to have been a factor in their decision to leave. Both followed their former superior, Mr Edson Mitchell, who began the wave of defections by leaving Merrill in April and took over as Deutsche's worldwide head of global markets.

The new appointments confirm Deutsche Bank's reputation as the most aggressive hirer in international investment banking, expanding as difficult markets cause many other investment banks to retreat.

Deutsche and Morgan Grenfell, its UK investment banking subsidiary, have drawn their equity sales, research and capital markets management from S.G. Warburg, the UK investment bank.

The departures contributed to Warburg's decision to abandon its independence and seek a backer in Swiss Bank Corporation. They also provoked Sir David Scholey, Warburg's chairman, into writing a letter of protest to Mr Hilmar Kopper, chairman of Deutsche Bank.

Merrill implied yesterday that the defections to Deutsche followed the appointment of Mr Herh Allison as overall head of investment banking rather than Mr Mitchell. It said: "Whenever there is organisational change there will be some individuals who seek opportunities elsewhere."

The exodus is nevertheless a setback to Merrill, which was the leading underwriter of both debt and equity issues worldwide in 1994.

A suitable case for treatment

Andrew Jack on the reconstruction of Comptoir des Entrepreneurs

It is more than two years since the size of financial difficulties at Comptoir des Entrepreneurs, the specialist French property bank, began to emerge. But shareholders now hope that, as a result of their ratification of a huge restructuring package backed by state guarantees, there is light at the end of the tunnel.

The saga involves a peculiarly French financial institution split between state and corporate control, under scrutiny from regulators and with an important role in determining the destiny of at least one of its main investors, on top of the unprecedented property market slump that has also affected many of its competitors.

Founded in 1848 under the influence of the French state and instrumental in the wide-ranging reconstruction of Paris under Baron Haussmann, Comptoir found itself more recently burdened by the same problem that its majestic building is now posing to the property market: in need of extensive renovation to be of any value.

On February 8 1993, at the request of the Commission des Opérations de Bourse, the French markets watchdog, Comptoir's shares were suspended following concerns about the presentation of its accounts. That investigation continues.

The suspension became one of the longest in French corporate history: the shares resumed trading only late last month and within two days

had fallen to less than one 10th of their \$F1219 reopening price. As the enormous size of Comptoir's financial problems began to emerge, a series of rescue measures were put in place: a \$F48m (\$2.2m) refinancing in March 1993, a \$F800m increase in capital reserves in May of that year, followed swiftly by two bond

Like its majestic Paris building, Comptoir found itself in need of extensive renovation to be of any value

issues underwritten by the state totalling \$F3.5bn.

But that was not enough. In March 1994, Comptoir became one of the first French financial companies - since copied by others - to introduce a "defensive" structure, having off \$F19bn in bad loans from its balance sheet into a special "bad bank" corporate shell for refinancing and management.

The group posted losses of \$F1.05bn for 1992 and \$F1.62bn for 1993.

Last year, Assurances Générales de France, the state-owned insurer which is on the government's list for privatisation and which owned nearly 30 per cent of Comptoir's shares, became increasingly concerned that this rescue package was still inadequate. Greater losses

would have a direct impact on the results of AGF, which would affect its value.

The group requested an audit into the remaining property loans on Comptoir's books, which indicated a further deterioration in their value. "Frankly, it's a lucky we weren't private [at that time] or it would have been quite a problem," says Mr Antoine Jeancourt-Galligani, AGF's chairman.

The result was the initialing last December of a second defenceless structure - nicknamed D2 - which swallowed the first and added a further \$F77m in loans removed from the balance sheet. The first \$F4.5m of this is backed by subordinated debt underwritten by the state.

As part of the new rescue package, backed this week by shareholders, a \$F700m recapitalisation takes place. AGF becomes controlling shareholder by increasing its stake to just under 75 per cent. At the same time, the French state's role is diminished considerably, with it no longer appointing the chairman of the group or using it to distribute subsidised loans for housing.

"The property crisis was the result of a general myopia from the actors in the market - the banks as much as the others," says Mr François Lemasson, the outgoing chairman of Comptoir. He says there was general short-sightedness compounded with the group's focus.

As for the future, shareholders have now ratified the

appointment of Mr Jacques Lehar, the former deputy managing director of the Groupe Bull computer concern, as chairman. At present, he is remaining reticent about his specific objectives but says he relishes the challenge of taking on a company in need of a "turnaround".

"Comptoir must now prove itself," he says. "We need to fix clear and attainable objectives." He says one of his first tasks is to introduce a "culture of profit" to an organisation in the past influenced by an ambiguous mix of public and private sector activities.

Mr Jeancourt-Galligani of AGF says that the group plans to retain control after its privatisation, but intends to seek another strategic partner, so it can reduce its stake over the next few years to about 51 per cent. He sees scope for close co-operation between the two companies, perhaps selling AGF life assurance policies to Comptoir's mortgage-backed loans.

Perhaps no symbol of Comptoir's transformation is stronger than the fate of its headquarters. In the next few months, the group is moving out of its historic site near the fashionable Place Vendôme in central Paris, into a more modest modern office building in a town outside the city.

It will have to hope that other businesses and individuals also begin to move to help boost activity in the real estate market.

DnB claims over 80% of Vital

By Christopher Brown-Humes in Stockholm

Den norske Bank, Norway's biggest bank, said yesterday that more than 80 per cent of the shareholders of Vital, the country's second largest insurer, had accepted its \$F475.72m bid for the group.

The high acceptance rate increases the chances that Aegon, the Dutch insurer which is also seeking to buy

Vital, will eventually pull out of the race. But with DnB still needing to get a concession from the Norwegian government to take over Vital, the battle is not over.

Aegon offered \$F103 per share for Vital in early May, valuing the group at \$F2.7bn. DnB launched a counter-strike worth \$F100 per share several weeks later. The Dutch company then withdrew its offer - even though it is Vital's preferred suitor - saying it

would await the outcome of DnB's bid.

DnB's offer expired on Thursday and it is due to announce the final acceptance level on Monday.

The bank says it may fall short of the 90 per cent level at which it can compulsorily buy the remaining Vital shares, but it intends nevertheless to seek the government's consent.

Analysts believe Aegon would return to the fray if the government blocked DnB's bid.

GAN sale hits Eurotunnel shares

By John Ridding in Paris

Groupe des Assurances Nationales (GAN), the French state-controlled insurer, said yesterday it had sold its stake in Eurotunnel, fuelling a fall in the share price of the Channel Tunnel operator.

Eurotunnel's shares declined by about 5 per cent to \$F14.00 in Paris, an all-time low, following confirmation by GAN that it had recently disposed of

its stake of about 1 per cent in the Anglo-French group.

The fall was much sharper than that suffered by the CAC-40 index of leading shares, which declined by 2.8 per cent to 1,587 points.

The decision to sell its Eurotunnel stake was just a part of its portfolio management, GAN said. "It was never a strategic investment," the company added.

GAN is in the midst of a

restructuring programme aimed at returning the group to profit after losses of \$F3.3bn (\$1.06bn) last year.

The losses, which were largely the result of provisions against bad property loans, prompted a rescue package by its state shareholder. As part of the recovery package, GAN is reviewing its investments. It declined to comment on the size of the loss on its Eurotunnel investment.

Waterford preference issue to raise £24m

By Tim Burt

Waterford Foods, the Irish dairy processor which is undergoing a radical restructuring, yesterday strengthened its balance sheet by raising £24.4m (£24.9m) from a preference share issue.

The company said the placing of 25m cumulative redeemable preference shares at £1 per share would cut borrowings to about £38m, equivalent to gearing of 43 per cent.

Directors denied that the move was prompted by the announcement in April of a £14.5m programme of redundancies, plant closures and asset write-downs.

"We took a charge against last year's profits to cover the restructuring, and this simply gives us greater flexibility going forward," said Mr Michael Pettit, corporate affairs manager.

The preference share placing, arranged by NBC Corporate Finance, is the third issued by Waterford in the past two years.

It issued 15m preference shares in July 1993 and a further 10m in the following December.

The latest tranches of shares, due to mature in 2014, will carry a fixed cumulative annual dividend of 9.9p.

Doorstep milk decline takes toll on Park Food

By David Blackwell

The decline in doorstep milk deliveries was blamed for profits coming in below expectations at Park Food Group, which specialises in the sale of Christmas hampers.

The shares were marked down sharply, closing down 18p at 92p, in spite of the rise of almost 16 per cent in pre-tax profits from £11.5m to a record £13.7m. The City had been forecasting about £13m.

Mr Peter Johnson, the chairman and managing director, who owns 65 per cent of the company and is also chairman of Everton Football Club, said he appreciated that the results were below market expectations. He put the blame firmly on the wholesale hampers division. The group was now closing its dairy office in Windsor and consolidating the wholesale operation in Birkenhead.

Milkmen traditionally have made half the sales of the wholesale trade in Christmas hampers, which account for about 20 per cent of hamper turnover.

About 80 per cent of the hampers are sold through agents. The number of agents has retreated to 80,000 from almost 90,000 last year, the first fall in the company's history, although the company believed the 1994 level was exceptional.

Group sales were 25 per cent higher, rising from £137.3m to



Peter Johnson: blamed wholesale hampers division

£171.1m. However, the latest figure included £3.7m of sales from the hamper business of Heritage Food Group (HFG), acquired for £10.5m last year, and £12.7m from the first full year of Handling Solutions, whose operations include dispatching goods for coupons for other companies.

The Heritage hamper business contributed £1.07m to profits, while Handling Solutions made £2.34m. Profits were also enhanced by £1.7m of investment income, down from £3.0m previously.

The group also announced a delay in Project Q, its new

potato processing business, following the receivership of the builders. The shell of the building is up, but production has been put back to late autumn.

However, the group is confident that the product will be well received. It is hoping for an annual turnover of £35m from the plant and is negotiating a deal with an international catering company. But it will not be selling through retail outlets as it feels it could not meet demand.

Earnings per share rose from 5.04p to 5.84p. A final dividend of 1.88p is proposed taking the total to 2.88p (2.4p).

A Cohen at £1.77m. Mainly as a result of the recovery in the copper and aluminium markets, A. Cohen & Co, the maker of non-ferrous metal ingots, swung from pre-tax losses of £522,000 to profits of £1.77m in 1994.

However, the company said that since the beginning of 1995 both aluminium and copper prices had fallen and it was difficult to predict how long the good results achieved so far would continue.

Turnover improved to £79.1m (£78.2m). Earnings per share

came through at 63p (61.1p losses) and a dividend of 7.5p (nil) is proposed.

The shares rose 32p to 540p.

Fairbairn, the contract management and property development group, reported a pre-tax deficit of £2.31m in 1994, on turnover almost doubled to £21.4m.

A pre-tax profit of £5.99m last time, on sales of £11.8m, was attributed to an exceptional £10.4m credit, being a write-off of creditors under a voluntary arrangement. The result this time included an exceptional credit of £303,000.

Losses per share emerged at 12.11p, compared with earnings of 38.28p.

Osborne & Little 40% up at £3.6m

Osborne & Little, the wallpaper and furnishing fabrics group, achieved all-round sales growth in the year to March 31 and pre-tax profits were up 40 per cent, from £2.6m to £3.6m.

Turnover for the year to March 31 rose 21 per cent to £25.1m, with UK and North American sales both 22 per cent higher and growth in the rest of the world 19 per cent higher - the UK figure represented an increase in market share rather than the market.

Sir Peter Osborne, chairman, said overseas sales had got off to a good start in the current year. Although the home market was slack, he anticipated a satisfactory outcome.

Earnings per share grew from 26.44p to 37.04p and the final dividend has been increased to 8p giving a total of 9.5p (6.5p). In addition, because of its healthy cash balances, the group is making a special supplementary payment of 4p.

Dee Valley up 25% Dee Valley Water saw full-year pre-tax profits rise 25 per cent from £3.57m to £4.46m, after reorganisation charges of £420,000 this time for redundancy and staff pension costs.

Turnover for the year to

March 31 grew 7.5 per cent to £11.6m (£10.7m). Earnings per share came to 24.9p (24.5p) and the final dividend is 7p for a total of 10.618p (9.49p).

A Cohen at £1.77m. Mainly as a result of the recovery in the copper and aluminium markets, A. Cohen & Co, the maker of non-ferrous metal ingots, swung from pre-tax losses of £522,000 to profits of £1.77m in 1994.

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CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF "CHRISTOFOROS KOUNTOURIS S.A.", OF ATHENS, GREECE
ETHYRIKI KEPHALOU S.A., Administration of Assets and Liabilities, of 1 Skoufias Street, Athens, Greece, in its capacity as Liquidator of "CHRISTOFOROS KOUNTOURIS S.A." a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of article 46a of Law 1892/1990, by virtue of Decision No.6203/1995 of the Athens Court of Appeal.

ASSETS OFFERED FOR SALE
Assets being offered for sale include a factory in the area of Syntagma Pyrgos Estate, standing on a plot of land approx. 12,427 sq.m., including buildings of approx. 19,000 sq.m. for the production of particle board, including with machine and kitchen furniture. The trade name of the company and other assets are also offered for sale.

OFFERING MEMORANDUM - FURTHER INFORMATION:
Interested parties may obtain the Offering Memorandum in respect of the Company and its assets upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION
1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2300/91 and subsequently amended), the terms and conditions set forth hereinafter and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Successful bidders shall be bound by the terms and conditions of the Auction, which shall be deemed to be accepted by the bidders upon the submission of their bids.

2. Bidding Offer: Interested parties are hereby invited to submit binding offers not later than Monday, July 17th, 1995, 12.00 hours to the Athens Notary Public Mr. George Stefanakos, 39, Akadimias St., Athens, Tel: +30-1-64-59-425, Fax: +30-1-64-50-423.

Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate, if any). In the event of non-compliance with the terms of payment, the offer shall be deemed to be withdrawn and the bidder shall be liable for the legal rate in force from time to time. In all cases where the creditor amount exceeds interest, this shall be calculated in relation to the outstanding amount and shall be payable on the dates of payment of each instalment. Bidding offers submitted later than the deadline shall not be considered. The offers shall be binding until the adjudication. Submission of offers in favour of a third party is not permitted.

3. Letter of Guarantee: Bidding offers must be accompanied by a Letter of Guarantee issued in accordance with the sample Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be EUR.FORTY FIVE MILLION (45,000,000).

4. Substitution: Bidding offers together with the Letter of Guarantee shall be submitted in sealed envelopes.

5. Envelopes containing the bidding offers will be opened by the above mentioned Notary Public in his office, on July 17th, 1995, 14.00 hours. Any party having submitted a binding offer shall be entitled to attend and sign the deed attesting the result of the bidding.

6. As the highest bidder shall be considered the participant, whose offer will be judged by auctioneer representing over 51% of the claims against the Company (the "Quorum"), upon recommendation by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value to be calculated by employing a 22% annual discount interest rate, compounded yearly.

7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his bidding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In any event of the highest bidder not complying with such obligations, the Letter of Guarantee shall be forfeited as a penalty. Adjudications shall be deemed to take effect upon execution of the contract of sale.

8. All costs and expenses of any nature, including any tax (such as VAT), duties, commission duties, any charges in favour of the state or third parties, which may and shall be paid (other than those exempted by the applicable law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the participants and the purchaser respectively.

9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to evaluation of the offers or the appointment of the highest bidder or any decision to reject or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of bidding offers shall not create any right for the participants and the participants shall acquire any right, power or claim from this Call and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.

10. This Call has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

In order to obtain a copy of the Offering Memorandum and any further information please apply to the Liquidator Mr. Ethyriki Kephalaou S.A., Administration of Assets and Liabilities, 1 Skoufias Street, Athens 10561, Greece. Tel: +30-1-333-1436-7, Fax: +30-1-321-9778 (attention of Mrs. Martha Pampakou).

THE MARKETS
Coffee
Banks up
Little

PRICE CHANGES

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WEEK IN THE MARKETS

Coffee perks up a little

The coffee market perked up at the end of a lacklustre week yesterday, partly in response to reaffirmed solidarity among Central American producers on their export retention policy.

However, the bounce could repeat only a little of the damage done earlier by speculative and hedge-related selling as fears of a damaging frost in Brazilian producing regions faded. The September delivery position at the London Commodity Exchange's robusta coffee market regained \$39 yesterday but was still \$146 down on the week at \$2,730 a tonne.

After a meeting in Tegucigalpa, the Honduran capital, the Central American producer countries - Costa Rica, El Salvador, Nicaragua, Guatemala and Honduras - announced that they would continue withholding 20 per cent of their coffee from the world market and that Guatemala, whose abandonment of the retention scheme had been a factor behind the recent price slide, had been persuaded back into the fold.

The market did not appear much impressed yesterday with an estimate from Brazilian coffee trader Esteve Irmãos that last year's frost and drought could have destroyed half of Brazil's 1995-96 coffee crop. "It's difficult to give a precise figure," Mr Jorge Esteve of Esteve Irmãos said in remarks prepared for delivery at the 16th Spanish Coffee Congress in Valencia. "If we estimate that from a normal potential harvest of 27m or 28m bags (60kg each) half was actually lost, we're left with approximately 14m." How much was available for export would depend on how much was drawn from the Brazil Coffee Institute's (IBC) stocks for domestic consumption, he added.

"The fundamental factor is

the 14.5m bags the defunct IBC has," he said. Today we have [domestic] consumption of around 10m bags, an expected harvest of around 15m and a carry-over from 1994 of 7m or 8m. That would leave only 13m bags for export, compared with 16m to 18m in the past few years, unless the institute dipped into its stocks and sold them on the home market.

At the London Metal Exchange base metals prices recently remained within recent trading ranges this week, though continuing "squeeze" fears led to a further widening in cash premiums for tin.

The copper contract yesterday reversed a small net loss to end the week \$12.25 up at \$2,875.50 a tonne for three months delivery. The upturn was encouraged by news of a renewal of the downtrend in

overall LME warehouse stocks despite further deliveries (presumed to be from China) into the Singapore warehouse.

About 75,000 tonnes of copper cathode moved into Singapore, the LME reported, but the world-wide stocks total fell 3,475 tonnes to 210,550.

The stocks news was also bullish for aluminium. A 30,850-tonne fall took the total below 800,000 tonnes and encouraged a \$12.50 rise in the three months position to \$1,790 a tonne, but that was still \$29.50 down on the week.

Tin meanwhile built quite impressively on a modest earlier rise as supply worries continued to discourage sellers. Traders have suggested that most of the declining total in LME stocks is controlled by two big "players". The three months price rose \$220 yesterday to \$6,615 a tonne, up \$385 on the week, and the cash premium widened by \$70 to \$180, compared with \$87.50 a week earlier.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

1770-72 1789-91

1773-74 1793-95

1774-75 1796-98

1780-1

196,175

40,946

1845-55

1690-70

1690

1855-60

1855-63

2,571

245

823-24

811-12

813-14

823-24

829-30

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Precious Metals continued

GOLD COMEX (100 Troy oz, \$/troy oz)

Sett. change High Low Vol.

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Jul 381.1 +1.6 382.9 380.2 2,182 12,160

Aug 384.5 +1.7 386.3 383.6 5,352 225

Sep 387.8 +1.8 389.6 386.9 5,378 544

Oct 387.8 +1.8 389.6 386.9 5,378 544

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GRAINS AND OIL SEEDS

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FINANCIAL TIMES

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Saturday June 10 1995

Expectations confounded

The record of the bond market in gauging the temperature of the US economy has, if anything, been rather better than that of the Federal Reserve over the past two years. Yet the bond market's faith in US Fed chairman Alan Greenspan's ability to fine tune the economy remains remarkably high, to judge by this week's sell-off, which reverberated around the world. Mr Greenspan's suggestion that a US recession looked unlikely was enough to put a brake on a sustained rally in bonds and equities that few had expected earlier in the year.

The disparity between the speed at which markets and economies change course has always been marked. Even so, the fickleness of market expectations has recently been of vintage proportions. At the start of January the implicit assumption in the markets was that US three month interest rates would rise by more than two percentage points during 1995. That followed a very powerful growth spurt in the final quarter of last year. Since then the talk has all been of falling industrial production, lower durable goods orders, declining capacity utilisation and poor jobs figures.

The expectation, despite Mr Greenspan's comments this week, is still that the next move in US short term rates is more likely to be down than up. The global bull market in bonds, now on hold, was essentially a response to the perception of lower growth in the US and the rest of the world.

The prospect of weaker demand on liquidity from the public and private sectors of the industrialised countries helps explain why real yields have fallen so sharply. As measured by the index-linked gilt market in the UK, real yields have fallen from four per cent to just over 3.6 per cent in less than three months. One result is that the much discussed notion of a global capital shortage now looks to be unfounded.

Capital shortages

In this, at least, there is nothing very surprising. Capital shortages are frequently predicted, but rarely emerge when expected. The concept is anyway somewhat suspect, since the purpose of the market price mechanism is precisely to iron out shortages and gluts. Where the idea does have some practical validity is when private capital dries up completely, as it did with Mexico at the turn of this year. Yet here expectations have once again been confounded, in the wake of the rescue package put together by the US and the International Monetary Fund.

Since April Mexican government agencies have raised around \$900m from the international markets. Mr Guillermo Ortiz, the

finance minister, admitted this week that he was surprised by the speed with which private capital was flowing back into the country. He is understandably keen to make best use of the opportunity. A new sovereign debt issue is expected from Mexico in the second half of the year.

The renewal of this private flow to Mexico finds an echo in the OECD club, where the fall in real bond yields reflects a declining risk premium. Capital is flowing back into the bond markets even of those governments with the worst problems, as investors perceive a growing political readiness to grasp fiscal nettles.

Italian concern

Yet here, too, expectations are fickle. It would take only a minor political disturbance in Italy, for example, to re-awaken concern, though the results of this week-end's referendums seem unlikely to cause trouble either way. An unexpected blow for Mr Silvio Berlusconi would be a plus, since the recent assumption has been that what is bad for Mr Berlusconi is good for the markets. The more difficult question, which will exercise leaders of the Group of Seven in Halifax next week, is whether the markets are over-optimistic about a low-inflation outcome for the industrialised world at large.

Each of the past three decades has started with a recession; and in the first two the economic cycle was protracted, with a pause in a growth spurt at the end. The best guess is that the 1990s will follow a similar pattern, and that Mr Greenspan's tightening since February last year will reduce pressure on capacity in the US, thereby permitting a non-inflationary extension of the cycle again. Moreover, inflation seems unlikely to pose a global problem, partly because recovery in continental Europe lags the US, while Japan remains in the doldrums. The risk, as the bond markets rightly sense whenever they go through one of their manic downward lurches, lies in countries with weak governments and a poor historic record on inflation.

The UK provides an obvious illustration. The pressure on the chancellor, Mr Kenneth Clarke, to go for excessive fiscal expansion in his November budget is immense. His readiness to take risks will have been bolstered by exceptional luck on the monetary front, thanks to slower growth both internationally and at home. It should not be forgotten that he confounded expectations in his first budget: Britain is a country where fiscal tightening has been real, not just a matter of intentions. Yet the outcome remains uncomfortably finely balanced.

Is the British government guilty of insider trading, using inside information to deal in shares to its advantage? Thousands of angry investors who bought into the government's £4bn sale of power generating company shares in March think so.

So does the Stock Exchange, judging by its criticism this week of the way the shares were sold. It said the government should "examine further the handling of this privatisation", particularly the dissemination of information from the public sector. So, too, does the Labour party, which claims that the Treasury "conned" investors into buying the shares on a false prospectus.

It is not yet clear whether any of these accusations will land the government in court - there are large legal obstacles. But ministers' public denials have done little to allay suspicions that the Treasury concealed information which might have jeopardised the sale.

The information which it allegedly possessed was that Professor Stephen Littlechild, the electricity regulator, planned to announce an unexpected review of electricity price controls the day after the new shares started trading.

When the announcement came, it sent the stock market into turmoil. Electricity shares plunged 17 per cent, dragging the flotation value down with them, and infuriating investors who had become accustomed to making an immediate profit on privatisation issues, and certainly not a loss.

Whether the government had precise knowledge of Prof Littlechild's intentions before the sale went ahead has not been established. Sir George Young, the Treasury Minister, says the government did not know of them for sure until the afternoon of March 6, by which time the shares had started trading.

However, Prof Littlechild has said he informed the government on February 27 that he was considering a price review, and that the government's privatisation team considered the implications of this with its financial and legal advisers on March 3, after which it decided to go ahead anyway.

One tricky aspect is that utility regulators are independent figures; the government is wary of undermining that position. The Treasury was therefore at the mercy of Prof Littlechild on the timing of his announcement. Nonetheless, the Treasury must have been aware of the sensitivity of the situation even if, as ministers claim, they did not know until the last moment whether Prof Littlechild was going to say anything, let alone what he might say.

Politically, the furore is yet another embarrassment to John Major's government, although so frequent have accusations of sleaze and mismanagement become that ministers have a well-tried formula for dealing with them. Mr Kenneth Clarke, the chancellor, denied any wrongdoing on the government's part, and dismissed calls from Mr Gordon Brown, his Labour opposite number, for a full independent investigation.

With typical insouciance, Mr Clarke said the government was doing what had been asked of it. "As the Stock Exchange asked us to look at it again, we have a senior official not previously involved looking at it again."

The government is likely to stick to this line in the hope that anger and indignation will eventually die away - or be supplanted by some other concern. However, Labour intends to extract maximum benefit

Powers that be in question

David Lascelles, Norma Cohen, John Kampfner and Robert Rice on the furore the government is facing from the City over the sale of shares in UK generators



From top, clockwise: Kenneth Clarke; John Baker, NP chairman; Michael Lawrence, exchange chief; and Stephen Littlechild, power regulator

from the affair. Mr Gordon Brown, the shadow chancellor, let it be known that he had been in touch with the Serious Fraud Office, which had assured him that it was still considering whether there are grounds for an investigation under the Criminal Justice Act.

Labour also circulated a letter to Mr Clarke from Mr Jack Cunningham, Labour trade and industry spokesman, dated March 28, three weeks after the debacle. Mr Cunningham spelt out what he said was a *prime facie* case that the government had colluded in making a false market for the generators' shares. This, he said, constituted a breach of Section 47 of the Financial Services Act.

"I fully understand that you reject allegations of insider dealing and that the Treasury have taken legal advice on this matter," he told Mr Clarke. "To the best of my knowledge, however, these facts alone would not constitute a water-tight defence under English law."

Under the Criminal Justice Act 1992, insider dealing can be committed only by individuals. Since this was a case where the government was selling the shares, the question

of criminal liability does not arise, says Mr Philip Mitchell, a partner of City solicitors Druces & Attlee.

There are secondary offences of counselling, procuring or encouraging others to deal, but again only an individual can be prosecuted for them, he adds. It would be difficult to prove for criminal purposes that a single politician or civil servant was responsible in this instance.

Under normal circumstances, a

So frequent are accusations of sleaze and mismanagement that ministers have a formula for dealing with them

company which failed to disclose a material fact in an offer document would have created a false or misleading impression as to the value of the shares it was selling. It would therefore be liable to both criminal prosecution and an action for damages under the Financial Services Act. But the Crown enjoys immunity from both civil and criminal actions under section 207 of the act.

City lawyers were less certain whether the government would be

THE TIMETABLE

- 1994
 - Sept 28: Government announces decision to sell its remaining 40 per cent stake in National Power and Powergen
- 1995
 - Jan 10: Sharelisting campaign starts
 - Feb 17: Sale prospectus issued
 - Feb 27: Littlechild indicates government that he is considering a price review
 - March 3: Treasury decides to go ahead
 - March 6: 50m shares start trading
 - March 7: Littlechild announces review of electricity prices. Electricity shares fall 17 per cent
 - March 14: First payment deadline to some shareholders
 - April 25: Jack Cunningham, Labour trade spokesman, criticises government
 - May 16: John Baker, chairman of National Power, threatens to sue government
 - June 8: London Stock Exchange criticises Treasury

immune from an action for damages for misrepresentation under the common law, however.

To succeed, investors would need to show that the suppressed information would have altered their decision to invest. If they had decided to invest anyway because the deal was attractive, it would be difficult to show they had suffered loss just because the stock went down in price. "In theory you could sue the government for misrepresentation as a party to a contract. But it seems extremely unlikely," one lawyer said.

However, there are wider issues involved in this case, raised by Mr Michael Lawrence, chief executive of the Stock Exchange, in his "strictly confidential" letter to Sir Terence Burns, permanent secretary at the Treasury, released on Thursday. He said more needs to be done to restore confidence in the London market and determine culpability. The release of the letter took the City by surprise, though Treasury officials insist it had agreed to it. However, Mr Lawrence, who has repeatedly affirmed the exchange's commitment to combat insider dealing, is understood to have felt under great pressure to release the letter.

"I believe that I have done what I can do to show that we as an

exchange are not happy with the damage to its reputation which is a net consequence of the Genco 2 [the generators' March share offer] offer," Mr Lawrence told the BBC. "The matter does need to be taken further."

"To the extent there is culpability, then presumably there will be appropriate follow-up," he added. Such tones seemed a far cry from Sir George Young's assertion yesterday that the Stock Exchange had not criticised the government.

Other organisations are deeply unhappy, too. The investment committee of the Association of British Insurers, one of the UK's largest shareholder groups, has met to consider what action, if any, its members could take. It wrote to the Stock Exchange in March asking for a formal inquiry into the affair. Other investor trade associations have also pressed the exchange for a full investigation.

On March 7, Mr John Cobb, chairman of the Association of Private Client Stockbrokers and Investment Managers, whose members sell shares to retail investors, wrote to Mr Anthony Nelson, Treasury Minister, informing him: "My phone has hardly stopped ringing with enraged calls from members of this trade association... I am writing to let you know of my concern at the effect of dramatic falls in share prices on many thousands of new or inexperienced investors."

Mr Nelson, whose duties include promotion of wider share ownership, responded with the now standard line that the government learnt of the price review only on the afternoon of March 6, too late to stop the sale. He added: "I hope in the light of the above explanation that you will agree that throughout the sale process the Treasury acted in good faith on the basis of the best advice available to it."

Shareholders, however, do not see it that way. "The fact that Littlechild's remarks were kept from the public is outrageous," says the investment director at one of the UK's largest pension funds and holder of a relatively large stake in both power generation companies.

Ironically, the Stock Exchange had long ago recognised that statements from regulators could be market sensitive.

In a document published in Autumn 1993 giving guidance on dissemination of inside information, it warned that "announcements by industry regulators, trade associations, government departments and other bodies may affect the share price of many companies". The document concluded that companies should have an agreed understanding of the market sensitivity of regulators' views - and make them public where appropriate.

In defence of its actions, the Treasury has said that none of its legal advisers and financial advisers felt that a public announcement of Prof Littlechild's deliberations was necessary. Treasury officials privately say the news was material only to the regional electricity companies, not the generators which supply them. In any case, they add, the generators' share prices are now above where they were at the time of the sale.

They might, of course, be higher still but for the furore. The point, however, is that the City is not satisfied with the explanations it has received so far, though whether it will get much more out of a government which is adamant that it has done nothing wrong is a different matter.

MAN IN THE NEWS: Louis Luyt

He's got the ball and he's running with it

If rugby union's administrators were subject to the same discipline as the players, Louis Luyt would long ago have suffered the fate of James Dalton, the Springbok hooker caught up in last week's world cup brawl with Canada.

He would have been sent off, not once, but several times. And quite possibly banned for life as a persistent offender.

Whatever an administrator's equivalent of high tackles, fists flying in the line-out, or unpleasant practices in the dark, sweaty recesses of the scrum, the president of the South African Rugby Football Union has done it.

Yet the abrasive style of the man who has done as much as anyone to make the world cup tournament a success is undeniably effective.

His energy, talent and ambition have carried him from the plains of the Karoo, where he was one of nine children in an impoverished family, to great wealth as a successful businessman and international celebrity as one of rugby's most influential figures.

The burly 63-year-old Afrikaner himself has provided the best clue to what makes him tick. "Deep inside me there is a scar that makes me want to fight the world - take everything," he told Johannesburg's Star newspaper last year.

"I have tried to psychoanalyse myself. Why am I like I am? I think it's because I have always had to fight for myself."

His controversial past should in theory count against him. He played a leading role in attempting to break international efforts to impose a sporting boycott on South Africa, and had a major part in the apartheid government's attempt to manipulate local and international media in the 1970s.

But once he realised that fundamental change was inevitable, he had the foresight to pursue a dif-

ferent strategy with equal vigour, and proceeded to redeem himself.

It was Luyt who, together with Dr Danie Craven, his predecessor as the rugby body's president, went to Harare in 1988 to meet the then banned African National Congress which Nelson Mandela led to electoral victory last year.

It took courage. South Africa was still defying the world, and the two men were roundly condemned by P.W. Botha, the then South African president, who had an intimidating reputation for blunt talking.

But Luyt was unrepentant, and the two men's foresight and determination paid off. Not only did it help Luyt win the respect of Steve Tshwete, then in prison, but last year appointed minister of sport, it also won back friends for South African rugby abroad.

Although he conducts business with all the subtlety and tact of the lock forward he once was - he captained the Orange Free State provincial side - Luyt clearly should not be underestimated.

His role in the success of the world cup follows considerable achievements in the domestic rugby arena. Under his direction, a lacklustre and indebted Transvaal provincial rugby union has become the country's top side. Its Johannesburg stadium, Ellis Park, the venue for the world cup final, has been turned from a white elephant into a highly profitable company, of which he is the chairman.

And he has helped preside over a campaign to win commercial sponsorship running into tens of millions of rand.

Given Luyt's uncompromising style, it is scarcely surprising that some have suggested the world cup has been a success despite rather than because of him.

Yet even detractors acknowledge that when political unrest and uncertainty in the run-up to last



year's election led to suggestions that the venue should be changed, Luyt never wavered in his determination to keep the tournament in South Africa.

Now it is in full swing, the world cup has caught the imagination of the nation. Nothing illustrates this better than Nelson Mandela's endorsement of the Springboks as "our boys, our children, our stars".

But to friends and critics alike, Luyt remains a controversial figure. "He is either revered or hated," says Francois Baird of Baird Associates, which handles public relations for the rugby body.

Deon du Plessis, managing editor of the country's Argus group of newspapers and an enthusiastic rugby follower, recalls John Vorster, South Africa's prime minister in the 1970s, describing Luyt as "the thick end of the wedge".

After a spell working on the railways and in the mining industry, Luyt became a salesman for a petro-

leum company, and later a fertiliser group.

In the mid-1960s, he created his own fertiliser company, Triomf, which he turned into the 20th biggest company on the Johannesburg Stock Exchange, exploiting his experience as a salesman, good contacts with farmers and business acumen. Within 10 years, Triomf had captured about a fifth of the domestic fertiliser market.

During this period, he established a reputation for leading an extravagant lifestyle, buying a BAC 1-11 119-seater jet, adapted to carry 20 passengers in luxury.

In the early 1980s, however, Triomf was hit by a series of problems including depressed domestic demand as a result of a protracted drought, falling exports and a sharply weakening rand. In 1986, the company collapsed and Luyt's business reputation was dealt a blow.

"Of course, as founder I took the

blame," he has said. "But because I delegated, we were taken into a foreign exchange situation that I didn't approve of. When the rand started to plunge, I was told it was only temporary... I took a big knock too. Now I keep my money in cash."

With a successful world cup behind him - harring disaster between now and the final in a fortnight's time - Luyt may have done more than strengthen his position in South African rugby. He may have won enough extra credentials to allow him to stride the international rugby stage.

He is clearly relishing the prospect of taking on the world's rugby establishment.

Given the chance, he would scrap Rugby World Cup Limited, the body that runs the game's biggest tournament, streamline and co-ordinate international administration, and end the pretence that top-class rugby is an amateur sport.

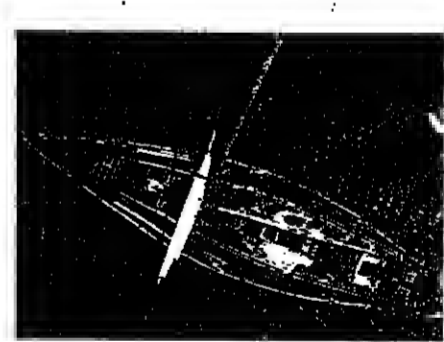
That is for starters. He would also like to simplify some of the rules to make the game more exciting, and to clamp down on dirty play. And he would market a repackaged game to the highest commercial bidders.

He has been scathing in his comments about the way the game is organised at present, and he has given advance warning that, if he has anything to do with it, a root-and-branch shake-up will be on its way.

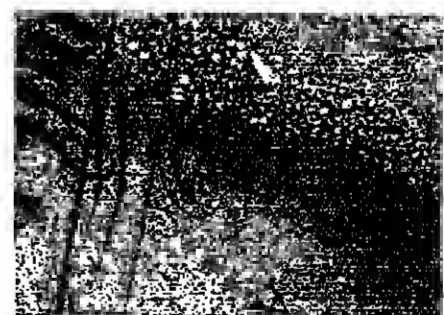
"Something will definitely happen after the world cup," he said recently.

This prospect will no doubt excite cries of horror in some circles and cries of hallelujah in others. Either way, rugby fans should look out: Louis Luyt may be coming to a ground near you.

Michael Holman



UP THE MAST



DOWN THE MAST

ROUND THE ISLAND RACE, 1000 YDS	10 June
CHAMPIONSHIP RACE	11 June-9 July
WORLD RACE	10-23 June
2ND CHAMPIONSHIP RACE, 1000 YDS	23-26 June
THE VELDE GARDEN GOLD CUP RACE, 1000 YDS	25 June-16 July
WINDWARD TOWNS CHAMPIONSHIP	26 June-9 July
WINDWARD TOWNS RACE	26 June-9 July
HAWAIIAN COAST POLICE INTERNATIONAL FLUORENCE RACE	5-9 July
CORNER RACE, 1000 YDS	29 July-5 August
ROUNDS 1-1000 YDS, 1000 YDS	31 August-5 September

Veve Clicquot
CHAMPAGNE OF THE SEASON

Italian voters put Berlusconi on the spot

The weekend's referendums could determine the media magnate's future, says Robert Graham

Mr Silvio Berlusconi, the Italian media magnate and former prime minister, has been battling to salvage his brief political career and protect his business interests. Tomorrow, when Italians vote in 12 referendums, he will learn whether he has succeeded.

Three of those referendums call on voters to decide if a single group should be allowed to possess more than one television channel. If the vote goes against him, Mr Berlusconi risks losing two of his three television channels and a big slice of advertising revenue.

But much more is at stake, because Mr Berlusconi has doggedly refused to separate his political role from his ownership of the Fininvest television empire worth \$2.5bn. This Sunday is therefore also seen as a referendum on his leadership of the right-wing alliance which he has headed since entering politics in January 1994.

If the vote goes against the former premier, it will accelerate his political eclipse and force a realignment of the parties in the right-wing alliance. The alliance itself could break up, leading to a renewed search to forge a "third" political force operating on the centre ground of Italian politics.

Mr Berlusconi has tried to turn the referendum into a popular vote on the entertainment he has pioneered on his channels. A vote in favour of moves to reduce his television interests would be an attack on the heavy diet of US soaps and

salacious quiz shows that so influence Italian culture today.

But even if the vote goes in his favour, Mr Berlusconi will find it hard to reverse his political decline, which began when he was forced from the premiership in December. He has so antagonised his allies by his intransigent behaviour and poor judgment that he is unlikely to be their choice as next premier.

One reason is his dogged resistance to proposals to resolve the conflict of interest between his political role and his ownership of Fininvest, one of the five biggest private groups in Italy. In no other modern democracy could the owner of television networks with 45 per cent of the national audience have entered politics without first establishing a clear-cut separation from those media interests.

Despite frequent promises, Mr Berlusconi has taken no adequate measures to distance himself from ownership of the unquoted Fininvest, or to establish rules to avoid conflicts of interest. The proposals of a Berlusconi-selected group of three jurists submitted last autumn have been forgotten; his allies in parliament have blocked alternative legislative moves.

The present structure of television ownership is based on an anachronistic deal worked out in 1980 between Mr Berlusconi and the now-discredited political elite which then formed the government. In



January, the constitutional court ruled this arrangement unconstitutional and ordered Fininvest to divest at least one channel by 1996.

Several efforts have been made over the past three months to head off the confrontation over the referendums by agreeing legislation to reform the television ownership rules. Yet whenever a deal seemed close, Mr Berlusconi always rejected compromise – even when endorsed by Mr Fedele Confalonieri,

chairman of Fininvest and a Berlusconi friend from student days.

At heart, Mr Berlusconi refuses to accept that he should be forced to forego the fruits of a business he has created through his own hard work. He hates the idea of having to sell even part of his heavily indebted business, let alone surrendering control. He has thus preferred to risk all in the referendum, placing his fate, as he said the other day, "in the hands of God".

In this way he hopes to shape the terms upon which parliament eventually obliges him to reduce his television holdings as required by the January decision of the constitutional court.

A draft law envisages the surrender of one channel next year and a second by 1998. Mr Berlusconi has now endorsed the Fininvest management's proposal of finding foreign buyers for a third of the television interests, institutional

investors for another third with the family retaining the remainder.

But even if the referendum was to favour Mr Berlusconi, the investigations of Italy's magistrates into corruption scandals remain a threat to his future and that of Fininvest.

One of the investigations involves Telepiù, a pay-television company in which Mr Berlusconi held a controlling stake that he was required to sell by anti-trust rulings. Magistrates believe he retained control through nominees; if this is proved, Mr Berlusconi could lose all his commercial television licences.

More serious is the impending decision on whether Mr Berlusconi should be sent for trial for alleged involvement in the bribery of members of the Guardia di Finanza, the financial police. Fininvest managers have already admitted attempting to secure favourable inspections of Fininvest books, and new evidence implicating Mr Berlusconi has been leaked in the run-up to the referendums. In the past such leaks have proved remarkably accurate, usually based on documents from the magistrates' investigations.

The net is already closing around Mr Berlusconi's inner circle. Mr Marcello Dell'Utri, the head of the Italian Fininvest's advertising arm, and a long-time Berlusconi friend, has been held in prison for more than two weeks. He faces charges laid by Turin magistrates of false billing, one of the chief means used

by Italian companies to create parallel funds outside public scrutiny.

In response to these legal threats, a campaign is gathering momentum to undermine the credibility of those who threaten Mr Berlusconi's empire. The war against the country's chief anti-corruption magistrates in Milan and Palermo, begun under his premiership, is being waged with new fury.

During the past week, Mr Antonio Di Pietro, the Milan magistrate who led the anti-corruption crusade, has come under attack. Magistrates in Brescia are investigating his relationship with Mr Giancarlo Gorrini, a Milan businessman involved in a big insurance fraud case.

Mr Di Pietro has admitted receiving a loan of L120m (\$73,080) from a friend of Mr Gorrini which he repaid in October, two months before resigning from the magistrature. Mr Gorrini offered to tell the justice ministry about his relationship with Mr Di Pietro on November 23, the day after Mr Berlusconi was first advised he was under investigation for alleged corruption by Milan magistrates.

In this venomous climate, Italian voters may still give Mr Berlusconi the benefit of their increasing doubts. But if he wishes to fight the next elections likely in the autumn and regain the premiership, he will have to heed the warnings of President Oscar Luigi Scalfaro.

He has made it clear he will not appoint as prime minister anyone who has problems with the law and is restricted by conflicts of interest.

Mixed messages all over

The City view of the UK economy is not shared on the shop floor, says Michael Cassell

Mr Bob Berridge says every light is glowing on his company's switchboard. "The lines are jammed. We have never been so busy. But those blokes in the City are talking us back into recession; if they make the banks nervous we will all suffer." Customers are telephoning North-East Truck and Van on Teesside, one of the largest commercial vehicle dealers in the UK, to buy vehicles, order parts and book services.

Mr Berridge, joint managing director of a business where annual turnover in two years has grown from £30m to £50m, says his customers range from the Tesco supermarket chain to local corner store owners.

He acknowledges not everyone is having good times, particularly those businesses which did not learn from the recession to emerge in a better, more competitive shape. But he does not share the widespread uncertainty about prospects for the economy.

Recent statistics suggest that the economic recovery which began in the spring of 1992 is petering out. But no revival is complete without a few periods of uncertainty, and the latest data are inconclusive.

Official figures have been pointing to some slowing in the pace of growth: national output is rising less quickly, unemployment is being reduced more slowly, house prices are falling and spending in the shops is subdued. As a result, Mr Kenneth Clarke, the chancellor, declined to raise interest rates last month.

One reason for caution is that official data for retail sales and manufacturing output paint a more downbeat picture than comparable surveys carried out by the Confederation of British Industry.

Given the mixed economic messages and the patchy performance of business, it is too soon to say if the figures mark the start of a serious downturn, a temporary pause for breath or merely represent a misleading, statistical mirage.

The big utilities offer no evidence that the climate is about to worsen. Most of the regional electricity companies say sales to private and commercial customers imply a continuing,



Flying high: Britain's airports are seeing more passengers

though modest, growth in economic activity.

One regional supply company says: "We are not talking economic miracles but a steady improvement in business which is continuing."

The export-led recovery means the ports are enjoying good business. Hull says its roll-on, roll-off capacity to Zeebrugge and Rotterdam is now full most days. Mersey Docks and Harbour Company also remains busy, although timber stockpiles amassed in anticipation of a revival in construction activity are moving only slowly off the quayside.

British Steel says the continuing weakness in domestic construction activity means there has been no upturn in demand for constructional steel, in sharp contrast to the market for strip products – used widely across manufacturing industry – where the company's mills are working "flat out to meet demand."

Housebuilding activity remains generally depressed, but there are bright spots. Cala, a housebuilder which specialises in executive homes, says its Scottish division had a record month in May, selling £2m worth of property.

Chemical manufacturers, however, report a downturn in sales in the past six weeks,

with production maintained only to supply continuing growth in export markets.

On a brighter note, Britain's airports continue to do well. While the British Airport Authority's seven UK airports handled nearly 5m passengers last month – an increase of 7 per cent on a year earlier – domestic traffic rose by more than 10 per cent.

British Airways reflects this healthy picture and says it is now carrying record numbers of passengers and volumes of cargo. "Demand is really strong," says BA. "Our aircraft are fuller than ever before."

Telephone business remains buoyant. British Telecom, the UK's largest telecoms operator, says that the volume of land calls grew by 7 per cent in March compared with the same month last year, and there is some evidence that the trend is continuing.

The rapid growth of the mobile telephone business continues unchecked. Vodafone, the UK's largest cellular telephone network operator, will next week sign up its two millionth customer. Business, according to Vodafone, "is going like a rocket."

Sales of company cars, into which increasing numbers of mobile telephones are being fitted, rose by 11 per cent last

month over May 1994. Private car sales in May rose for only the second time this year.

Mr John Walden, managing director of Lex Retail, the UK's largest car retailing group, says: "Unlike the private car market, company fleet sales remain reasonably strong, but there are signs they are beginning to tail off."

But the car rental business is performing well, according to Mr Freddie Aldous, chairman of EuroDollar and president of the British Vehicle Rental and Leasing Association. "Things are looking very good. Last year demand for car rentals rose by 15 per cent and we hope we will come close to repeating that in 1995."

There is no such prospect in the high street, where weak consumer confidence and recent, year-on-year sales growth of only about 2 per cent means fierce competition.

John Lewis Partnership, which has 22 UK department stores and more than 100 Waitrose supermarkets, says trade is subdued. "It's just a plot at the moment."

Mr Edward Bental, chairman of Bental's department stores in the south of England, says: "There is a lack of consumer confidence at the moment and the situation looks unlikely to change for the time being."

Mr Stanley Kirt, chairman of Blackpool-based Dainties Chocolate Confectionery, which claims to be the world's largest manufacturer of mint humbugs and supplies many supermarkets, is less gloomy, given that the British sweet tooth means sales rarely take a serious nose-dive.

Sales by his family-owned company are up by about 5 per cent over last year, but in a good year he would expect them to rise by 20 per cent. He says Dainties has survived because, unlike many during the recession, it invested heavily to maintain efficiency and stay ahead of the competition. The message, he suggests, is one for other companies to chew on.

Additional reporting by Neil Buckley, James Buxton, Robert Chole and Ian Hamilton Pacey.

John Gapper examines the emergence of online financial services

The high tech art of armchair banking

Mr Michael Walsh does not enter the local branch of his bank in Seattle when he can avoid it. "Most bank staff are kids who are not paid much, and are barely aware of what life is about. There is no value in that for me," he says.

Instead, Mr Walsh prefers to sit down at the personal computer at home to pay his bills, and check the value of his investments.

He makes payments by signing on to a service provided by his bank which uses Money, the personal finance package created by Microsoft. He updates the value of his investments by downloading information through Prodigy, the online service. Both services enable him to keep an updated record of his financial affairs on his desktop computer.

U.S. Bank, Mr Walsh's bank, is not confining its electronic efforts to its Microsoft Money link. It also has a page on the Internet World Wide Web to market its student loans, and is planning a service allowing customers to apply for loans electronically. This could be launched on the Microsoft network, an online network due to be launched in August.

Ms Linda Parker, manager of emerging delivery services for U.S. Bank, says it sees electronic networks as simply another means of delivering products. "In our view, it is no different to a shopping mall where you rent space to sell your services," she says. The bank charges customers between \$7.95 (\$5.00) and \$17.95 per month depending on which electronic services they use.

Mr Walsh, the 54-year-old head of a paramedic company, is unusual even on the technology-literate US west coast. Although 45 per cent of U.S. Bank's 800,000 customers own personal computers, only 5,000 have taken up the chance to bank by computer since it became one of the three first banks to offer the service using Microsoft software in January last year.

Up to 10m Americans use personal finance software – a market dominated by Intuit and its software package Quicken – but only between 300,000 and 500,000 use elec-

tronic banking. Those using online shopping services – or electronic malls – are also scarce; the average user of electronic malls is a 31-year-old male college graduate who earns \$63,000 a year.

But the numbers may be about to grow rapidly. As more households have become accustomed to using personal computers – and 7 per cent of Americans have ventured into using online services – banks have started to realise the potential of the new technology. Citibank last month abolished most fees on electronic banking for personal customers to try to boost its long-established service.

One reason that most banks and other companies are taking electronic commerce seriously again after a false start in the mid-1980s is the far wider availability of easy software. Microsoft itself tried to take over Intuit because of its faith in the market, although it abandoned the move this month after facing anti-monopoly pressure from the US justice department.

Packages such as Intuit's allow consumers to pay bills from their terminals, and download information from their banks. This lets them track finances and taxes – and plan their spending – without having to type in the data themselves. "I hate detail, and sitting in front of a computer and typing in a bunch of stuff. This makes it much simpler for me," says Mr Walsh.

Another reason is the growth of interest in online services, and the Internet. Microsoft is working with Visa, the credit card company, to create a secure method for making payments over the Internet. Barclays, the UK bank, has just launched an electronic mall with a group of retailers on the Internet using encryption technology to allow card payments.



On the face of it, this seems like a good thing for banks, which have struggled with the high costs of branch networks. First National Bank of Chicago is charging customers \$3 for each time (beyond a specified number of occasions) that they carry out a transaction with a human cashier rather than using a machine, a swipe towards electronic banking by customers could save them large sums.

But not all bankers are convinced. Mr John Reed, chairman of Citibank, argued at a conference in Seattle this week that technology would allow companies that are not banks to compete with them, and squeeze profits in their traditional operations. Banks and securities brokers could be reduced to "a line or two of application code in a [computer] network," he said.

Mr Reed said that when customers could use computers to transfer cash easily and buy and sell investments, margins from financial transactions would fall. It would become "very difficult to distinguish between a bank, a broker and

a software company" as software companies started to market themselves as the providers of basic financial services.

There are already signs of the competition that banks will face from other companies in electronic banking. AT&T, the telephone company, last week launched a service allowing customers in six states to pay bills using a television remote control handset. The service is also available on personal computers, and AT&T plans to add other home banking services.

Since US consumers are already accustomed to getting other financial products such as credit cards from non-banks, banks face a real possibility of losing dominance of financial transactions. Mr Walsh says he regards banks as "just a service bureau." There is not much difference if it gives a good service at low cost," he says.

Not all software companies want to compete with banks. Bill Gates, Microsoft's chairman, insists he has no such ambitions, despite having once described banks as "dinosaurs." He says that Microsoft will "not ever be in the business of doing what banks do." Instead, it wants to provide software allowing banks to gain more effective links with their customers.

But if electronic delivery channels allow consumers access to a range of products, their banks may find it harder to retain their loyalty. People who sign up to Microsoft Network will find banks appearing as no more than icons in the folder containing financial services companies. This will make it easier for them to choose among providers by comparing services.

Mr Reed of Citibank says banks have little choice but to accept the technological changes. "My sense is that that is the way the world is, and we should embrace it, and try to take advantage of it," he says.

Yet if customers such as Mr Walsh are any indication of the future, bankers will need all their wits to keep their traditional place in the new world of commerce.

Japan should seek Asian neighbours' view on war

From Dr Jean-Pierre Lehmann, Sr. Japanese revisionists do have a point in arguing that the history of the war should not be interpreted solely from the writings of the Western victors. Therefore to the "many members of the older generation and the right [who] believe Japan colonial powers from Asia, rather than a war of aggression against its neighbours" ("Japan coalition hits trouble on war apology", June 1), surely the solution is simple: ask the neighbours.

For example, a conference of eminent scholars from China, Korea, Indonesia, Malaysia, Singapore, the Philippines could be convened to discuss the proposition that Japan did not wage a war of aggression

against them. An alternative could be to hold a poll in these countries posing the question to a representative sample of the population over, say, the age of 15: "The Diet's decision whether or not to apologise would then have the merit of being informed of the opinion of those most directly concerned. Japanese nationalists on this subject too often seem to be waging a war (albeit of words) with the West, while ignoring the views and sensitivities of Asians."

Jean-Pierre Lehmann, professor and director, The European Institute of Japanese Studies, Stockholm School of Economics, PO Box 8501, S-113 83 Stockholm, Sweden.

A contentious line of thought

From Mr Andrew Shouler, Sr. "Doing nicely outside the EU" (headline in Switzerland survey, June 2)? Steady on! Anyone might think it is not necessary to be in the EU

to be successful and happy. What next? That maybe it isn't even desirable? Andrew Shouler, 155 Conway Gardens, Grays, Essex RM17 6HF, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fax"). Translation may be available for letters written in the main international languages.

US opinion on Bosnia sound

From Mr Ellis Dudley Klingeman, Sr. Mr Joe Rogaly is misjudging opinion in the US when he attributes our nation's reluctance to commit its troops to Bosnia to "neo-isolationism" ("The lion's distant roar", June 3/4).

Rather, the unwillingness of American public opinion to countenance such a commitment rests on solid, old-fashioned American common sense in perceiving three critical factors.

First, Americans recognise that the Bosnian conflict does not represent a threat to its long-standing allies in Nato. The fighting is viewed as another flare-up of the centuries-old ethnic and religious antagonisms in the area that brought into being the time-worn phrase "Balkan tinderbox".

None of the antagonists is

embarked on any crusade that threatens the rest of Europe. The second perception is that a colossal blunder was made by certain "statesmen" in imposing an arms embargo on all the potentially warring factions in the wreckage of Yugoslavia.

This was done despite the fact that the most expansionist and aggressive bloc among the parties, the Serbs, was armed to the teeth through inheriting the weaponry of the former Yugoslav army.

It would be sheer lunacy to put American troops at risk in the Bosnian conflict to defend a people – the Bosnian Moslems – who are perfectly capable of defending themselves and repelling the Serbs if only they were given a parity in armaments with their attackers.

The third reason is that a great many Americans have no

confidence in the leadership of the Clinton administration. The waffling of the president on Bosnia ever since he took office impresses many Americans as indicative of a man who cannot make hard and sound decisions, and who cannot stick to them with any consistency, once they are made.

The risks would be too great for America's soldier sons under such uncertain leadership.

The action in recent years of the US in repelling the Iraqi threat to the Western democracies' economic health, conducted under decisive leadership, should dispel any thoughts about a new-found, chronic isolationism in the US.

Ellis Dudley Klingeman, 6 Delwood Parkway South, Madison, New Jersey 07940, US

Explanation if you please

From Mr James W. Beaumont, Sr. This simple engineer reads all the FT's reports and articles about a common Euro currency and my question is: why isn't Germany's unification common currency used as an example of what can happen when a weak economy is merged with a strong one?

Germany's debt grows ever larger, together with taxes. Would something similar happen with a new Euro currency? This naive engineer knows nothing of currency and economics, but I do understand debt and increased taxes.

Perhaps the FT would explain that's why I subscribe to your journal. Or am I being naive again?

James W. Beaumont, Brunnensweg 1, D-82031 Grimsfeld, Germany

Savings and US economy

From Mr Michael Zelouf, Sr. Mr Michael Prowse concludes in his report on the US economy ("Lead ring on the US alarm bells", June 7) that the balance of evidence points to nothing more than a mild-cycle correction and that there is an absence of many classic signs of impending recession.

What his analysis fails to take account of is the significant impact that the current debate on US fiscal policy is having on saving and spending patterns. A sizeable percentage of the elderly and poor population in the US stands to lose out if current Congressional proposals to reform Medicare and Medicaid are even partially enacted. The fear of erosion of future net wealth to meet rising medical costs will

act as a real incentive to increase savings.

Furthermore, the realisation by the growing number of ageing "baby-boomers", now reaching their peak of wealth accumulation, that current government spending will need to be cut to ensure future generations' prosperity is increasing their propensity to save at the expense of discretionary spending. While classic harbingers of recession may be missing, the prospects of meaningful fiscal tightening into the 21st century may serve to dampen growth more than pure economic data currently suggests.

Michael Zelouf, Imperial Towers, Netherhall Gardens, London NW3 5RT, UK

Definitive view of regulation

From Mr Alfred Doll-Steinberg, Sr. In all the acres of prose – including Edward de Bono's letter of June 1 ("A failure to regulate behaviour") – on the shortcomings of self-regulation at Lloyd's and elsewhere in the City, Nick Land ("Views from

the helm at E&Y", June 5) puts it succinctly and best: "Self-regulation is an oxymoron." Surely that is all one needs to say on the subject.

Alfred Doll-Steinberg, 18 Holly Walk, London NW3 6RA, UK

CURRENCIES AND MONEY

MARKETS REPORT

Dollar wobbles

Rumours of Japanese investors liquidating their holdings of US treasury bonds yesterday drove the dollar below DM1.40 in a nervy, pre-weekend trading session, writes Philip Garside.

After trading in a fairly narrow range all week, the dollar finished in London at DM1.3973, from DM1.4198 on Thursday.

The tone for a weaker dollar had already been set earlier in the day by Mr Johann Wilhelm Gaddum, the Bundesbank vice-president. He warned against mechanistic market assumptions of a further fall in official German interest rates, simply because the repo rate was on a downward path.

Mr Gaddum's comments helped the D-Mark which finished stronger against most European currencies. Against the lira, which has weakened steadily ahead of the referendum on Sunday, it closed at L1.167 from L1.161.

Sterling fell in tandem with the dollar, closing at DM2.2342 from DM2.255. Against the dollar it finished at \$1.599 from \$1.5883.

Mr Gaddum's comments, coupled with the Japanese rumours, unsettled bond and equity markets, and this was reflected across the spectrum of interest rate maturities.

Analysts said the dollar took its lead from the fall in US Treasury yields.

At Chemical Bank in London, said the market remained fairly negative towards the dollar and the rumours had simply provided an excuse for some selling.

Aggressive position taking, however, was limited by caution in the aftermath of the recent round of central bank intervention, and the proximity of the G7 summit next week, which may produce an initiative to bolster the dollar.

The tankan survey released in Japan had little currency impact. Although weak, it was

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Company	Price	Change	%
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City Conv Excess 5/01	104.3	109.8	+5.40/5.14

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... Inc. Series B	25.25	25.06	-0.01	0.25
... Inc. Series C	73.97	74.11	-0.01	0.75
... Inc. Series D	29.84	31.98	-0.36	0.43
... Inc. Series E	24.43	24.43	0.00	0.25
... Inc. Series F	50.03	50.14	-0.44	0.25
... Inc. Series G	47.61	50.78	-0.48	0.25
... Inc. Series H	79.00	80.59	-0.59	0.25
... Inc. Series I	149.68	169.04	-7.27	0.23
... Inc. Series J	145.18	150.47	-7.16	0.23
... Inc. Series K	79.00	79.00	0.00	0.25
... Inc. Series L	33.48	35.37	-0.73	0.24
... Inc. Series M	28.28	28.08	-1.16	0.37
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00208 All-CDX	73.12	74.06	-0.93	1.10
00209 All-CDX	73.12	74.06		

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net	5%	88.40	73.54	-0.47	1.80
net PEP Acc.	5%	83.05	67.54	-0.36	1.50
net PEP Inv.	5%	100.50	100.70	-2.20	0.00
inc	5%	88.20	100.50	-2.10	0.00

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Money Market Trust Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 573 4378 for more details.

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LONDON STOCK EXCHANGE

MARKET REPORT

Big losses in bonds unsettle equity market

By Steve Thompson, UK Stock Market Editor

The absence of further substantial takeover moves, and the emergence of a series of scare stories in bond markets, gave equity marketmakers the excuse they were looking for to hit shares prices.

Equity markets across Europe were already suffering from another downward move in debt prices. As a result of a sudden bout of scare stories suggesting that the Japanese authorities were about to implement restrictions on Japanese purchases of US bonds, bonds, bonds and pills came under intense selling pressure and the weakness quickly

spilled over into equities. The Japanese moves, so the market talk went, were in retaliation to the US ban on Japanese car imports.

The FT-SE 100 index closed the session a net 43.1 lower at 3,337.7, leaving it 7.3 down on the week, while the FT-MIB 250 index ended 19.2 off at 3,678.9, 4.4 higher over the five-day period.

The scare stories, which also hit the dollar, were quickly denied by Japanese sources and were not taken too seriously by equity market traders, but nevertheless still managed to wreck substantial damage across markets.

"The stories put the frighteners on the market, but to be fair the UK

market has long been seen as due something of a correction. Despite the burst of bid stories on Thursday, it has been increasingly difficult to unearth institutional buyers of equities in recent days," said one senior analyst.

He also noted that spurious market rumours always tend to emerge on Friday afternoons, when attendances on trading desks are low.

Sentiment in London was also affected by a generally negative reaction in the financial press to the Zeneca takeover speculation that gripped the market on Thursday. However, many traders still believe that the heavy demand for Zeneca

stock was an indication that some form of corporate activity may yet develop.

The Footsie opened on a weak note, down almost 12 points, and affected by the overnight fall in the Dow Jones Industrial Average on Wall Street. Selling was never heavy, but dealers said the market suffered from pockets of selling in various areas, notably the financials, where banks were hit by worries about the low level of new mortgage lending and insurances by poor results announced on Thursday from Bradfordstock. The insurance broker.

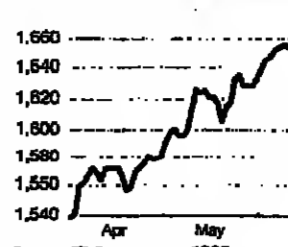
The day's most important economic news, unchanged producer

prices for last month in the US, against a consensus forecast of up 0.3 per cent, caused no real damage to the market with the Footsie virtually unresponsive, but not subject to any sizeable selling pressure.

The picture changed dramatically in mid-afternoon, however, when the bond slide gathered momentum and the Dow fell over 40 points at one stage. The FT-SE 100 was down 45.2 at 3,335.6 at its worst, before staging a modest rally. Two hours after London closed the Dow was again showing a 40-points plus decline.

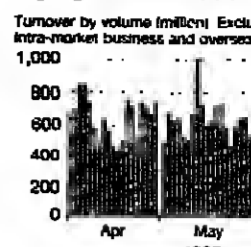
Turnover increased to 660.8m shares, with non-Footsie stocks accounting for almost two-thirds.

FT-SE-A All-Share Index



Source: FT Graphite 1995

Equity shares traded



Indices and ratios

FT-SE Mid 250	3678.9	-19.2
FT-SE-A 350	1660.2	-18.5
FT-SE-A All-Share	1641.32	-17.16
FT-SE-A All-Share yield	3.96	(3.92)
FT Ordinary index	2512.4	-33.5
FT-SE-A Non Fins p/e	18.71	(16.84)
FT-SE 100 Fut Jun	3340.0	-42.0
10 yr Gilt yield	8.15	(7.92)
Long Gilt/equity yield ratio	2.08	(2.05)

FT-SE 100 Index

Closing index for June 5	3337.7
Change over week	-7.3
June 8	3380.8
June 7	3370.8
June 6	3360.0
June 5	3376.6
High*	3395.0
Low*	3335.6
Intra-day high and low for week	

TRADING VOLUME IN MAJOR STOCKS

	Vol.	Chgng	Vol.	Chgng		
	000s	Day's	000s	Day's		
		change		change		
BT	182	367	108	107		
ASDA Group	7,000	800	11	MPCQ	6,700	420
Aviation National	1,000	100	100	100	100	100
Aviation	84	416	5	Mammoth	107	887
Aviation	1,000	100	100	100	100	100
Aviation	1,000	100	100	100	100	100
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Aviation	1,000	100	100	100	100	100

INVESTMENT TRUSTS - Contd.**INVESTMENT TRUSTS - Contd.**

	Median	Price	Ratio
Flourish Ounce	200	307	
Foreign & Col	1395	143	
For & Col Easy Mid	714	120	
Warrants	87	61	
For C of C 2016	1722	200	
For C of C 2017	1800	178	
For & Col Easy	200	143	
For & Col Foreign	1200	100	
Warrants	30	30	
For & Col High	30	30	
For & Col South	1800	178	
De. Foreign	30	30	
For & Col Fed	151	157	
For & Col Fed	120	47	
For & Col Fed	400	30	
For & Col Fed	120	47	
For & Col US Sm	30	30	
Warrants	30	30	

French Prop	79	52
Warrants	18	14

[illegible]

1. The first group of variables is the set of variables that are used to describe the characteristics of the firm. These variables are: size, age, industry, and location. Size is measured by the number of employees, age by the year of establishment, industry by the two-digit SIC code, and location by the state of the firm's headquarters.

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Warrantik	<input type="checkbox"/>	25 $\frac{1}{2}$	1	27 $\frac{1}{2}$
Kleinwert O'ross 3v	<input type="checkbox"/>	240	1	249 $\frac{1}{2}$

[illegible]

Warrants	32	43
per Euro Sent	82	81

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Sample Bar	350	1	350
Completion Env	123	1	123

[illegible]

new valves supplied by Matheson Scientific Limited
a major unit. See article in London Steam Section

Not exact values supplied by Mathematica Software as a token code. See guide to London Stock Exchange.

INVESTMENT COMPANIES - Cont.

OIL EXPLORATION & PRODUCTION - Cont

PROPERTY

SPIRITS WINES & CIDERS

TRANSPORT - Cont.

[illegible][illegible]

▲ FT 100 dividend yield, price ratio based on latest annual earnings. 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 267

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Taiwan president scores diplomatic points in US

By Richard Waters
in Thaca, New York

Mr Lee Teng-hui, president of Taiwan and a diplomatic outcast, yesterday won handshakes and accolades in rural upstate New York before delivering a speech that will infuriate the Chinese leadership in Beijing.

A trio of senior Republican senators and representatives of leading US companies had earlier turned out to meet 72-year-old Mr Lee, whose private visit to the US this week has sparked a diplomatic row between the US and China.

The presence of some 450 media representatives assured blanket coverage of a trip which the Clinton administration had tried, but failed, to stifle. And Mr Lee was more political than personal in his speech yesterday to a reunion at his alma mater, Cornell University, the high-point of

his four-day visit. In opening his speech, Mr Lee said that as "the president of the Republic of China", as Taiwan calls itself, this was "not only a personal honour, but more significantly, an honour for the 21m people" on the island. He suggested that "communism is dead or dying", which could have been a reference to the Communist party leadership on the mainland.

"Frankly, our people are not happy with the status accorded our nation by the international community," Mr Lee said. "I want to publicly express my appreciation and admiration to President Clinton for his statesmanlike decision [to allow the visit]."

Mr Lee's trip is the first by a Taiwanese leader since the US removed diplomatic recognition of the island territory when it opened formal links with the People's Republic of China in 1979. A

visa for the visit was approved only a fortnight ago, after overwhelming support in the Republican-controlled Congress forced Mr Clinton to reverse a long-standing US policy.

The journey has provoked a sharp diplomatic assault from China, which has fought to maintain Taiwan's international isolation in an attempt to force its eventual unification with the mainland.

The official Chinese news agency, Xinhua, continued the attack yesterday. Comparing the apparent US support for Taiwan with its involvement in the Vietnam and Korean wars, the agency warned: "The US is playing with fire." The Taiwan issue is "as explosive as a barrel of gunpowder", it added.

Over breakfast yesterday, Mr Lee told an audience of US business people about the opportunities for investment in Taiwan.

UK trade deficit falls to lowest level for 8 years

By Gillian Tett,
Economics Staff

Britain's quarterly trade deficit has fallen to its lowest level for eight years. The deficit fell from a seasonally adjusted £3bn (\$4.7bn) to £2bn between the last quarter of 1994 and first quarter of 1995, according to official figures published yesterday.

The startling improvement was partly caused by a surge in oil sales. However, the data also reflected the lopsided nature of Britain's export-led recovery.

Although overseas sales have continued to rise, the sluggish state of the domestic consumer market left imports relatively flat.

With the figures considerably stronger than the City of London had expected, the data deepened the debate about the current state of the UK economy. For although the data are several months out of date, they include several significant upward revisions to export levels - implying that government statisticians had previously underestimated overseas sales growth.

Consequently, since recent manufacturing data have also been weaker than expected, and slightly at odds with business surveys, the changes have fuelled speculation that there might be more growth in the economy than currently thought.

Mr Jonathan Loyne, UK economist at Midland Global Markets, said: "These are spectacularly good numbers. Upward revisions to exports may also signal upward revisions to manufacturing output, which suggests that the first quarter gross domestic product figures may be revised up."

Nevertheless, other economists warned that the trade performance might have deteriorated since March, particularly if the US slowdown has reduced demand there.

Previously published figures have shown that exports to non-European Union countries fell in April. Meanwhile, the recent purchase of a £250m German cruise liner also will have widened the trade deficit.

Measured overall, the Central Statistical Office said exports rose from £12.4bn to a record £12.6bn between February and March this year. Imports rose from £13.1bn to £13.2bn. The resulting monthly trade gap of £512m was the smallest deficit since mid-1991.

A more accurate guide to the trend can be seen in the quarterly volume figures, measured without oil and erratics. These showed that exports rose 0.5 per cent between the last quarter of 1994 and first quarter of this year, while imports actually fell 2.4 per cent.

Exporters benefit, Page 4
See Lex

Microsoft on the line

Wall Street was unruffled by news that the US Justice Department is stepping up its investigation of Microsoft's planned online network. In mid-session, when most shares had fallen, the software giant's stock had risen. This is partly because investors already suspected that the Justice Department was taking a look at the online network. But the main reason is that the market has convinced itself that the Justice Department is unlikely to seek to block the launch of the network; and that, even if it tries to, it will be on shaky legal ground.

Wall Street may well be right in downplaying the regulatory risks. But the market has underestimated the danger from Washington in the past. Few, for example, predicted that the Justice Department would block Microsoft's acquisition of Inuit.

An outright ban on Microsoft's online network is unlikely. But there must be some chance that the authorities will seek to alter the way in which it is packaged with the next version of Windows, Microsoft's dominant operating system for personal computers. Such a move would not only delay the launch of Windows 95, it might also neutralise one of the advantages that Microsoft has over competitors in the fast growing world of electronic commerce. Microsoft would still possess other advantages - notably its ability to put huge resources into developing products and marketing them globally. But even if the latest regulatory worries prove a false alarm, they underline that Microsoft has become so powerful that the government no longer treats it like other companies.

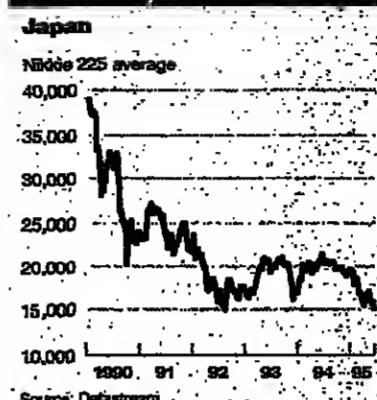
Japan

Nothing seems able to lift the Tokyo stock market from its gloom. Despite yesterday's surprisingly upbeat *tan-kam* survey from the Bank of Japan, share prices dived to a 34-month low. Of course, much of the slide was due to Thursday's feeble attempt by the finance ministry to resuscitate the financial system. But the *tan-kam* does not inspire much confidence either. True, the survey demonstrates that Japanese industry remains buoyant, despite the strengthening yen. Larger companies in particular offset the effects of the yen by taking advantage of powerful demand growth in North America. The bank expects the gentle recovery to gather pace.

But Japan's manufacturers have generally overcome the yen's rise by ignoring it - holding down export

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prices at the expense of margins. And there may be worse to come. For the first time for three years, industry expects conditions to stagnate over the next quarter. If US growth is indeed decelerating, Japanese exporters will be among the biggest losers. Then where will the growth come from?

Sadly not from home. Despite falling import and domestic prices, consumers are unwilling to spend while unemployment reaches new peaks and wages are subdued. Meanwhile investment, the engine of Japanese growth that stalled four years ago, shows no sign of restarting. The feeble recovery has been dependent on exports and government spending. Both are running out of steam. With no sign of increasing domestic private sector spending, the market may be right to continue to look for the exits.

UK generators

The Treasury's handling of the sale of its stake in the electricity generating companies may well not intrigue any lawyer. But it is not satisfactory for the Treasury to hide behind legal niceties. As the body which sits at the apex of financial regulation in the UK, it must be whiter than white. Its failure to warn investors that the electricity regulator was considering a review of price controls was at best in the grey area of what is acceptable.

If the Treasury's probity is thrown into doubt, it will lack the moral high ground from which to press for a cleaner financial system. This is why the planned internal investigation by the Treasury is inadequate. No matter how impartial and wide-ranging, an

internal inquiry will not be seen to be so if it exonerates the Treasury. Thus, an internal investigation fails to address the problem of credibility. A fully independent inquiry is vital because those responsible must be held accountable in order to send a message that circumvention of the City's rules will not be tolerated.

The case for compensating investors should also be examined. While they have not lost money in absolute terms, the generating company shares have underperformed the rest of the UK market by over 5 per cent since the regulator's announcement.

The impression that financial means are easy to pull off and difficult to punish has already tarnished the UK's regime of self-regulation. A wide-ranging independent inquiry is needed to wipe the slate clean.

UK economy

The dichotomy between the UK's two economies - domestic and export - remains as stark as ever. The visible trade balance for the first three months registered its lowest quarterly deficit since 1987. Cynics may scoff, stressing the figures were flattened by oil exports and lower imports of precious metals and aircraft. But there had been fears the uptick in investment could have boosted imports and led to a deterioration in the trade balance. Instead, exports continue to expand while domestic demand remains sufficiently feeble to restrain import growth. Year-on-year car exports during the first quarter rose an astonishing 54 per cent. Extrapolating from a single quarter is risky, but this year the UK looks capable of recording its first current account surplus for a decade.

This is all encouraging, but does little to help the Chancellor and the Bank of England decide when and in which direction to move interest rates. There have been justifiable fears that if the Chancellor cuts taxes at the next budget, he will need to prevent the economy overheating by raising rates. But although the economy is performing strongly, the composition of that growth remains positive for inflation. If there are capacity problems, they are likely to exist only in small pockets of the economy. Moreover, if the US and German central banks choose to cut rates that would further reduce the need to raise UK rates to support sterling. Tax cuts without a concomitant rise in interest rates look increasingly likely.

Russia and Ukraine reach deal over Black Sea fleet

By Matthew Kaminski
in Sochi, Russia

The presidents of Russia and Ukraine yesterday heralded a new era in their relationship by claiming a breakthrough in their dispute over the division of the Black Sea fleet.

The two countries agreed to divide their joint fleet of about 300 ships in half, have separate Ukrainian and Russian bases along Ukraine's coast, and let Russia keep its new fleet at Sevastopol on the Crimean coast.

Ukraine would later sell most of its ships to Russia, possibly in exchange for debt rescheduling, and keep about 18 per cent of the original fleet.

But the agreement signed in the Black Sea resort of Sochi yesterday failed fully to clarify the future status of Sevastopol, headquarters of the jointly controlled fleet.

"Today we finally put an end to our disagreement over the Black

Sea fleet," said Russian President Boris Yeltsin, before embracing the noticeably less ebullient Ukrainian President Leonid Kuchma. "Our main task now will be to build a strategic partnership," Mr Yeltsin added.

However, the announcement highlighted the presidents' inability to settle whether Russia will enjoy sovereignty over Sevastopol - as Moscow has demanded - or just lease the base. The deal also failed to address the difficult issue of the division of other land-based facilities. These issues were left to a new commission and future talks, but no timetable was given.

In September 1993, Mr Yeltsin signed a broad agreement with Ukraine's first president, Mr Leonid Kravchuk, to sell Ukraine's ships and nuclear weapons to Russia. But the deal, denounced by Ukrainian nationalists, soon fell apart.

Saddled by a rising debts, Ukraine has always sought to sell

many of its Black Sea fleet ships, among the oldest in the Soviet navy and neglected since 1991. Mr Boris Tarasjuk, Ukraine's deputy foreign minister, yesterday said his country considered Russia "a superpower with global interests" which included a policing role in the Black Sea.

But Ukraine remains sensitive to the possible threat to its territorial integrity posed by Russian demands for control over Sevastopol and leasing rights for other land sites in Ukraine.

Mr Kuchma is under pressure not to give up Crimea or compromise Ukraine's sovereignty, a diplomat in Kiev said. A pro-Russian local government came into power in Crimea last year, but Ukraine has tightened the noose on the separatist movement in the past two months by forcing out the region's president and abolishing the constitution. It rejected a recent call by the Sevastopol city council to rejoin Russia.

Veto appeal

Continued from Page 1

official. At his news conference, Mr Santer said he would push for a co-ordinated policy at next week's Group of Seven summit in Halifax, Nova Scotia, to promote stable, low inflation growth and employment.

He would urge the US to tackle its budget deficit as the most effective policy to restore confidence in the dollar which, in turn, would foster stability in the world's currency markets. "Our position is unambiguous," he said.

Mr Santer cautioned against imposing transaction taxes or capital controls which could undermine the single market.

Japanese business confidence

Continued from Page 1

expecting little improvement in the index and saw the results as evidence of the resilience of the Japanese economy.

"Given that the survey was conducted during May, when uncertainty about the economy was at its peak, the results are strong and are consistent with the view that recovery is continuing," said Mr Dick Beason, senior economist at James Capel Pacific in Tokyo.

But the bank sounded a warning that prospects were less promising than current judgments. For the first time in three years, manufacturers said they expect no improvement in the

economic climate in the next three months.

Mr Toshio Koyano, economist at DKB Research in Tokyo, said "the fact that companies are not expecting any improvement in the next quarter is not good news, and weighs against the surprising improvement in confidence in the last three months".

The stockmarket's latest plunge was largely the result of disappointment at Thursday's package of measures unveiled by the finance ministry in an attempt to alleviate the bad debt problem at the nation's banks. But share prices continued to fall after the publication of the *tan-kam* suggesting that confidence in recovery is extremely weak.

FT WEATHER GUIDE

Europe today
The Low Countries, northern France and southern Scandinavia will be overcast with showers. This is because of low pressure over the North Sea which is weakening, but only slowly.
The UK will also be overcast, but mainly dry. Further south, southern France and large parts of Spain will have dry and sunny periods. Thundery showers will fall, however, in north-eastern Spain.
Meanwhile, a frontal zone over central Europe will keep eastern Europe cloudy with rain and possibly some thunder. Much of Germany, Switzerland and Austria will also be cloudy with showers. The frontal zone is a boundary between warm air to the east and cooler air, with maximums below 20C, in western Europe.

Five-day forecast
Rain and showers will linger over central and eastern Europe and large parts of France for about three days. South-eastern Europe will also have some thundery showers. Conditions in the Low Countries will improve from Monday as drier and milder air moves into north-west Europe. The UK will be overcast next week and eastern parts will have showers during the weekend.

TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	38	28	Amman	25	15	Beijing	25	15
Accra	32	22	Algiers	25	15	Berlin	20	10
Aden	32	22	Amsterdam	18	8	Bombay	32	22
Algeria	28	18	Antwerp	18	8	Buenos Aires	25	15
Amman	25	15	Batavia	28	18	Cairo	32	22
Amman	25	15	Bombay	32	22	Cape Town	22	12
Amman	25	15	Buenos Aires	25	15	Caracas	28	18
Amman	25	15	Cairo	32	22	Chengdu	25	15
Amman	25	15	Cape Town	22	12	Cologne	20	10
Amman	25	15	Caracas	28	18	Dakar	28	18
Amman	25	15	Chengdu	25	15	Dallas	25	15
Amman	25	15	Cologne	20	10	Dubai	32	22
Amman	25	15	Dakar	28	18	Dublin	18	8
Amman	25	15	Dallas	25	15	Edinburgh	15	5
Amman	25	15	Dubai	32	22	Faro	25	15
Amman	25	15	Dublin	18	8	Frankfurt	20	10
Amman	25	15	Edinburgh	15	5	Geneva	20	10
Amman	25	15	Faro	25	15	Glasgow	18	8
Amman	25	15	Frankfurt	20	10	Hamburg	18	8
Amman	25	15	Geneva	20	10	Heidelberg	18	8
Amman	25	15	Glasgow	18	8	Hong Kong	28	18
Amman	25	15	Hamburg	18	8	Istanbul	25	15
Amman	25	15	Heidelberg	18	8	Jersey	20	10
Amman	25	15	Hong Kong	28	18	Karachi	32	22
Amman	25	15	Istanbul	25	15	Kuala Lumpur	32	22
Amman	25	15	Jersey	20	10	Lagos	28	18
Amman	25	15	Karachi	32	22	London	18	8
Amman	25	15	Kuala Lumpur	32	22	Luxembourg	18	8
Amman	25	15	Lagos	28	18	Madrid	25	15
Amman	25	15	London	18	8	Manchester	20	10
Amman	25	15	Luxembourg	18	8	Marbella	25	15
Amman	25	15	Madrid	25	15	Melbourne	25	15
Amman	25	15	Manchester	20	10	Mexico City	25	15
Amman	25	15	Marbella	25	15	Miami	28	18
Amman	25	15	Melbourne	25	15	Montreal	20	10
Amman	25	15	Mexico City	25	15	Moscow	20	10
Amman	25	15	Miami	28	18	Munich	18	8
Amman	25	15	Montreal	20	10	Nairobi	28	18
Amman	25	15	Moscow	20	10	Naples	20	10
Amman	25	15	Munich	18	8	Nassau	28	18
Amman	25	15	Nairobi	28	18	New York	20	10
Amman	25	15	Naples	20	10	Nice	25	15
Amman	25	15	Nassau	28	18	Nicosia	25	15
Amman	25	15	New York	20	10	Oslo	18	8
Amman	25	15	Nice	25	15	Paris	18	8
Amman	25	15	Nicosia	25	15	Perth	20	10
Amman	25	15	Oslo	18	8	Prague	18	8
Amman	25	15	Paris	18	8	Rangoon	28	18
Amman	25	15	Perth	20	10	Reykjavik	18	8
Amman	25	15	Prague	18	8	Rio	28	18
Amman	25	15	Rangoon	28	18	S. Frisco	28	18
Amman	25	15	Reykjavik	18	8	Seoul	28	18
Amman	25	15	Rio	28	18	Singapore	32	22
Amman	25	15	S. Frisco	28	18	Sydney	28	18
Amman	25	15	Seoul	28	18	Taipei	28	18
Amman	25	15	Singapore	32	22	Tokyo	28	18
Amman	25	15	Sydney	28	18	Toronto	20	10
Amman	25	15	Taipei	28	18	Vancouver	18	8
Amman	25	15	Tokyo	28	18	Vienna	20	10
Amman	25	15	Toronto	20	10	Warsaw	20	10
Amman	25	15	Vancouver	18	8	Washington	20	10
Amman	25	15	Vienna	20	10	Wellington	18	8
Amman	25	15	Warsaw	20	10	Winnipeg	18	8
Amman	25	15	Washington	20	10	Zurich	18	8
Amman	25	15	Wellington	18	8			
Amman	25	15	Winnipeg	18	8			
Amman	25	15	Zurich	18	8			

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Peseta Global Bond Fund	1st	1st*
European Bond Fund	1st	2nd*
BALANCED FUNDS		
Global Portfolio Fund	2nd	2nd*
EQUITY FUNDS		
North American Fund	1st	2nd
European Opportunities Fund	1st	2nd
North American Opportunities Fund	1st	1st
MERCURY INTERNATIONAL GOLD AND GENERAL FUND	1st	1st

Source: Micropal. Based on offer to offer prices with gross income reinvested to 1/5/95. Quartile rankings are based on the Micropal universe of competitor funds included in the Off

Weekend FT

There has been an explosion in higher education in Britain in the 1990s and former polytechnics have shouldered much of the burden. Peter Aspden explains

Welcome to the new university

The first thing one has to say about Mike Fitzgerald is that he does not look much like a university vice-chancellor. With an unfashionably ostentatious Rod Stewart haircut and an earring dangling from his left ear, only the sharp suit distinguishes him from the ageing-hippy sociology lecturers who inhabit the novels of Malcolm Bradbury and who so vexed the sensibilities of the Conservative right from the 1960s onwards.

After spending a couple of hours in his company, the visual impression is reinforced. In many respects he does not sound much like a vice-chancellor either. As we walked round the main campus of Thames Valley University, Fitzgerald pointed to one of the lifts. "It's no use taking those, we'd be quicker walking up the stairs."

I asked why, and he explained that when he took over, the university was spending £120,000 a year on lift maintenance, a figure he regarded as unacceptably high. "So I decided to slow the lifts down to the legal minimum speed. Now nobody uses them, and we hardly spend anything on maintenance."

Welcome to the parsimonious, yet ever-improvisatory world of the new university, and one of its canniest vice-chancellors.

Thames Valley's principal building is tucked away behind Ealing Broadway at the west end of London Underground's Central line. A blue plaque on the wall invokes the name of Lady Byron but there is little romance in the air. Instead the students milling round the entrance look purposeful, eager. Many of them are paying their own way through university, and have little time to cultivate the studied insouciance of popular stereotype.

The busy air extends inside Thames Valley's learning resource centre, the newly-

refurbished core of the campus. Here, we are in the middle of what one might call the politically correct university: induction loops for the deaf in every seminar room, specially redesigned doorways and corridors for the disabled, a Moslem prayer room.

Security is unobtrusive but tight. The personal safety of the students is an important issue. When Fitzgerald took over, £20,000 worth of equipment was "walking out" every week.

He travelled to Heathrow to consult the company in charge of El Al's security, which devised a new system for him. Now even he has to wear a lapel badge at all times: hard indeed to imagine in the front

quad of Christ Church.

Thames Valley University is not one of the traditional names of British higher education. Less than five years ago, it consisted of four separate colleges, which were unified to form the Polytechnic of West London in the summer of 1991. Just a year later, along with all the country's polytechnics, it was granted university status and changed its name yet again.

If the period of transition seems indecently hasty, it is hardly the institution's fault. For it has fallen on the so-called "new universities" to absorb much of the extraordinary expansion of higher education in Britain which has seen home student numbers

increase by 53 per cent between 1988 and 1994.

They have led the way in providing new types of education – the teaching of "transferable skills" in the "wired-up campus", to use two of the most frequently-used phrases of the moment – to sectors of the population that would not have dreamed of a university education 10 years ago.

Many members of the old university establishment snigger at the new universities, the Thames Valleys, the Lutons, the Bournemouths. "Tasteful jokes abound. Why did they build a wheelchair ramp at so-and-so university? To relax the previous entrance requirement, which was that you should be able to walk through

the door.

But there is an undeniable buzz about the new universities, a conviction in the muscular language used by their vice-chancellors that they represent the future. They are a world away from Britain's most enduring higher education stereotypes, the Sauternes-and-strawberries languor of *Brideshead Revisited* and the assorted idlers, fruitcakes and leftist conspirators so beloved of Bradbury and David Lodge.

Today's new university vice-chancellor is more likely to express himself in the robust terminology of the managerial bullet point than in the arcane subtleties of scholarly discourse. He is an integral part of, not a detached

observer from, a pretty tough world.

Fitzgerald is aware that Thames Valley does not quite fit the mould of the traditional university; indeed he plays up to it. Even the institution's mission statement (yes, these have spread to universities too) makes an uncharacteristically stark commitment to "mass participation in higher education as a contribution to equality and social justice".

This might be compared to Oxford University's almost-

disdainful contribution to the genre: "The first of a number of University aims is to ensure that its standing as a world-class university is maintained and enhanced in both teaching and research."

There are 22,000 students at Thames Valley, 65 per cent of whom are part-time, and they can register for any qualification available in further and higher education. Forty-five per cent are not on degree courses. Fitzgerald eschews the metaphor of a "ladder of learning", preferring the more complex image of a ship's rigging. "Divisions according to qualification don't really mean very much to the students themselves." He proudly quotes the example of a student who came into the university to do a City and Guilds Level One course in pastry-making, and left with an MBA.

There would have been no room for that student, he adds, in the old, elite university system, with its inflexible demand for respectable A-level grades. "We are seeing the evolution of that system into one of mass participation, and it is the new universities which are raising all the subsequent issues."

The issue of how to teach, for example, Fitzgerald thinks the "industrial" model of lecturing to groups of students is becoming increasingly irrelevant in an age when new technologies can be exploited. He has devised a system at Thames Valley which uses every type of medium – video, CD-Rom, CD-interactive – to connect students with their course work, and each other.

He describes it as a mixture of the Oxbridge tutorial system ("you meet your tutor, and then you are left alone to seek out the relevant books, journals, staff and students and that is what we do here") and the flexible, modular system developed so successfully by the Open University.

The emphasis on the possibilities opened up by the "wired-up campus", however, also allows universities to avoid the issue of student-staff ratios. These have worsened dramatically as the rise in student numbers has failed to be matched by a corresponding increase in lecturers. David Triesman, general secretary of the Association of University Teachers, which represents lecturers in the old universities, thinks this automatically signals a decline in the quality of the student experience.

"The problem is nothing to do with the staff or the quality of their work, but that the amount spent on each student, the unit of resource, has been driven down by over a third in five years. There is no question that students today are not

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NEXT WEEK
 Pensioners who threaten the world economy

Joe Rogaly

Grim prognosis for NHS

Labour would face the same intractable facts about public spending



If you think Labour will radically improve the National Health Service, forget it. Support the people's party or even the Liberal Democrats if you must. If you are disgruntled but temperamentally unable to vote anything other than Conservative, sit at home. Whichever you choose, do not kid yourself. Not voting Tory means you are helping to kick them out. Fine, but do not entertain high expectations of government under that nice Tony Blair. Be realistic. Get your disappointment in early.

Disappointment? The outlook for the health service is instructive. A set of proposals for the NHS's national policy forum in Reading this weekend. The expectation is that when everything said today and tomorrow is boiled down to an election manifesto it will amount to a series of possibly welcome adjustments to the dodgy quasi-market system installed by the present government. These small mercies will add up to small change unless accompanied by large amounts of money.

Let us talk about money for a moment. In 1979-79, the fiscal year before Lady Thatcher became prime minister, the outgoing Labour administration spent £22.4bn on health. I take the figure from Treasury statistics; the original cash

amount has been adjusted for inflation. The estimate for the year to April 5 1995 is £37.2bn, in real terms.

There you have it. At a 1997 election John Major will be able to boast that since 1979 his party has fattened the health care budget by an additional two-thirds of its original real value. Pretty good, eh? As a share of gross domestic product, public spending on health rose by a full percentage point, to 5.6 per cent, over the same period.

It will be difficult for the Labour leader to match that record, and just about impossible for him to improve on it. Mr Blair will not make any election promises that contain the tiniest hint that taxes will be increased. If he wants to win a second time he will spend, tightly and tax sparingly. In his recent Maastricht lecture he undertook to stand by the Conservative commitment to a low level of inflation.

In short, NHS professionals may huff and puff, nurses may march, and doctors may throw their stethoscopes in the air, but total outlays will increase no faster under the next prime minister than under the present one.

That means any Labour health secretary – for argument's sake, Margaret Beckett – could quickly become as unpopular as the Tories' Virginia Bottomley is today. The

NHS is a politician-destroying machine. Enoch Powell, one of the more perspicacious health ministers, taught us that 30 years ago. Care is free at the point of use, yet potential demand is infinite. The Treasury controls the supply. Health practitioners therefore have a direct interest in maintaining a chorus of protest about how awful the service is, how cash-starved, how

Care is free at the point of use, yet potential demand is infinite

cruel to patients. They did so, loudly, when Labour was in charge before 1979 and they will do so, at full volume, after 1997, whether or not Labour gets in then.

That is not to say there is nothing Mr Blair can do. He can try to humanise the Tory reforms, perhaps iron out some of their wrinkles. Their introduction was accompanied by a few additional billions to ease the way. Not good enough. The purchaser-provider split, for all its theoretical attractiveness, is often clumsy in practice. The public

is deeply suspicious of "spreadsheet medicine", as Geoffrey Glazer, senior consultant at St Mary's, Paddington, calls the infamous additional management procedures.

His contribution to a compendium of medical opinions to be published by the IBA Health and Welfare Unit on Monday is as trenchant as you might expect from such an elevated figure at so distinguished a London hospital. "Patients... are seen as business opportunities and attempts are made by marketing departments to lure these patients from one hospital to another," he writes.

Others are equally biting. Two of them attest that money does not follow the patient, as the government said it would. The patient has to scramble after the money. "Indeed it is now a moot point to whom a patient 'belongs'," writes Hamish Laing, a consultant working in Wales. "The consultant is directed by the provider when to see them in the clinic and by the purchaser via the contracting department when to operate on them irrespective of clinical need."

Getting a patient on to a waiting list and admitted has become an obstacle course. "An audit of one unit's admission process found 24 different steps were now required before the patient could be

sent for." Two GPs, Gillian and Ben Fitzgerald, tell of a chart published by the Hertfordshire Health Agency which shows 38 specialities at 37 different hospitals serving patients of non-fundholding general practitioners in the county. Other contributors confirm that managers prefer patients – "customers" – who are cheap to cure, and enhance the spreadsheet bottom line.

All of this would be familiar to everyone save, perhaps, Mrs Bottomley. Labour has its opportunity for attack spread out before it. That may help it fight the election. So what? If it wins, it will be stuck with a basic-standard NHS at a time when a swelling middle class – new voters, perhaps, for new Labour – demands more.

They will only get it if they pay for it, either through private insurance, or on an increased range of NHS charges. That is the direction in which any government, afraid to tax but harassed over health care provision, will be obliged to travel before the decade is out.

It may reasonably be objected that the effect would be that the poor would be less well cared-for than others. True. But in the post-communist world, who ever says anything about equality? *2 Lord North St, London SW1P 3LB

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PERSPECTIVES

It is not a condition of employment to be able to juggle if you work at Beard Enterprises Ltd - but it helps. Only a handful of the 20 employees of the company that claims to be Britain's largest specialist manufacturer of juggling equipment have yet to master the skill - but that is only because they are new to the fast-growing company.

"You might say juggling is catching," said the founder and managing director of the business, Michael Gregg.

Gregg - he is known by all, including his bank manager and the Inland Revenue as "H" - took up juggling in the early 1980s as a form of stress therapy to help him cope with the demands of being engineering manager for a large computer company in Milton Keynes.

The juggling helped - but he eventually left to take up a lower paid but less stressful job teaching electronics at a college in Halifax, West Yorkshire. Two years later, in 1989, he found himself self-employed for the first time doing the job that he is convinced he was put on this earth for - running a company manufacturing juggling equipment.

"This job has got everything," said Gregg, 44, who runs the company with his wife and co-director Polly, ably supported in the holidays by their four children.

They have recently been joined by Stephen Jolly and Colin Milton, the two directors of the erstwhile Absolute Circus Products company of Northampton. Gregg describes them as "former collaborators rather than competitors" and they have merged their product range with his.

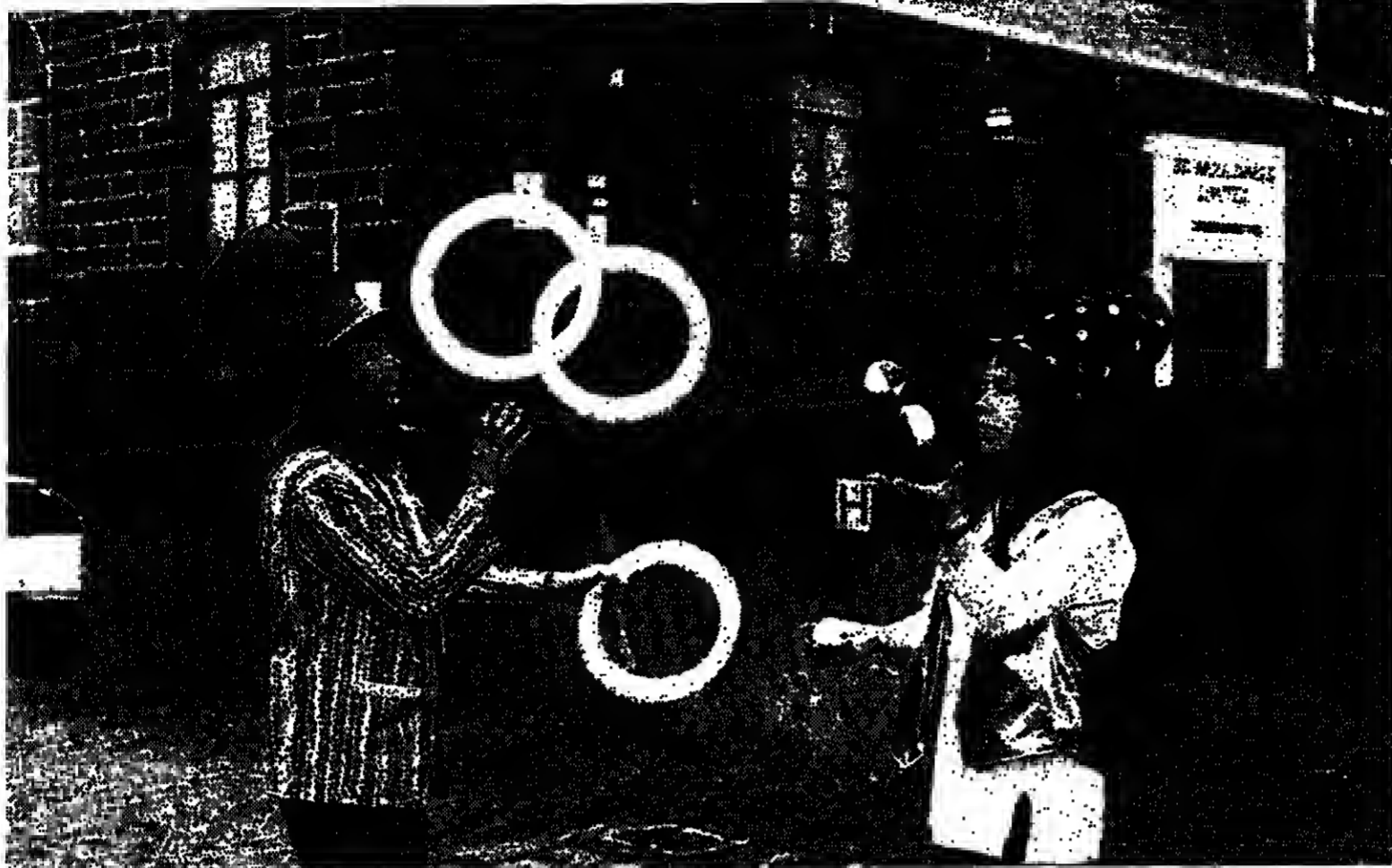
Earlier this year, Jolly and Milton moved to Gregg's headquarters in a converted woolen mill in Hebdon Bridge, West Yorkshire, where they are spearheading sales activities, especially the drive to sell juggling equipment to the corporate market.

"The job has all the challenges I like," said Gregg. "We have taken on all the foreign competition that was selling into this country until we started, there is the opportunity to design and set up all the machines we need; there is the marketing - something I specialise in - and finally there is the sheer fun of being in the world of juggling and making all our own products."

"It is also fun being in this building in its magnificent hilltop site overlooking Hebdon Bridge. I find it an inspirational place."

When pressed, Gregg can think of few low spots in the 5 1/2 years since he started the company. "It was a financial setback when my first partner in the business bought himself out after 18 months but then we were established, we had made a profit before tax of £20,000 - nearly 25 per cent of turnover - in our first year, and you could say the balls were rolling."

Since then Beard - Gregg named



An eye for business: "H" and Polly Gregg demonstrate their wares

Minding Your Own Business

Getting the ball rolling

Clive Fewins reports on the growth of a specialist producer of juggling equipment

the company after an ill-fated double act called the Beard Sisters he created with a male partner in the mid-1980s - has gradually extended its range of products to cover all aspects of juggling - a leisure activity that has seen a rapid rise in popularity since the mid-1980s.

Top quality Beard products are marketed as the "Radical Fish" - Gregg cannot think why he chose the name - range of clubs, diablos, devil sticks, fire torches, spinning plates, juggling rings and juggling knives. Gregg describes them as "products for serious jugglers".

These are complemented by the Beard Juggling Equipment range of similar products, to be found in gift shops and other high street outlets, as well as specialist juggling shops.

The "Absolute" range comprises the products - mainly balls and knives - made by the Sussex company with which Beard merged, and the Medium Air products are Australian-made by a former employee who started up 18 months ago in his native country and in whose operation Gregg has a 20 per cent share.

The latest venture is "The gift of juggling" - a range directly aimed at the gift trade - that Gregg is planning to sell direct to the high street through what will eventually be his own sales force, directed by Jolly and Milton.

"After five years of using wholesalers we were finding they were being squeezed on their prices by the high street and were going overseas for cheaper, inferior products," Gregg

said. "By doing our own packaging and selling direct we think we can counter this."

For this reason, sales reached a plateau at the end of 1994 with a turnover of £400,000 - the same as the previous year, Gregg is confident, however, that by the end of this year - in which Beard has merged with Absolute - sales will hit £750,000. "We are looking for 50 per cent per annum in new turnover through new products and new markets," he said.

"The other growth is expected to come in the corporate market. We have a new range of heavy juggling balls with steel shot in them aimed at providing exercise for executives."

"We are already producing several ranges of balls with company logos on them designed as giveaways or pro-

motional tools and the next stage will be juggling classes for stress relief and team-building exercises held here at the mill."

Gregg has plenty of space. From 750 sq ft in a large room in the roof of the building, he has gradually progressed to occupying 15,000 sq ft - most of one wing of the large stone building.

"Eventually we hope to buy the entire building," he said. "We would probably be unable to do this out of profits, so for the first time we would have to take a loan, in the form of a mortgage. I think I could tolerate this in order to own this rather eccentric building which I believe is an ideal home for our unusual company."

Beard Enterprises, Old Town Mill, Old Town, Hebdon Bridge, West Yorkshire EX7 8TE. Tel: 01422-943672.

Three years on / Clive Fewins

On the right road

The biggest outside investor in Trevor Parry's one-man company saw the article about Location Maps in Weekend FT's Minding Your Own Business column 3 1/2 years ago while on holiday in France and promptly came to see Parry on his return.

"Being a map enthusiast, like myself, Reg Valin had no problem finding me," said Parry, who works from home in Banbury, Oxfordshire, as he has done since founding the business in 1990.

Valin, the former chairman of international financial PR consultants Valin Pollen, and self-styled "business angel", agreed to put £10,000 into Location Maps, in which he retains a close interest.

Valin has not been disappointed. Although the enterprise has developed more slowly than Parry had hoped, it is poised to take off.

Parry, aged 55 and an accountant and former managing director of a local building company, produces, by arrangement with the Ordnance Survey, small full-colour sections of standard large-scale maps for clients, with the subject of the map located in the centre.

Three other maps, each enlarged to a greater degree, guide the motorist towards the subject, thus aiding drivers to locate the town, the area of the town, the road, and then the precise location of the subject.

The sets of four maps are usually printed on a pocket-sized piece of card.

"The advantage of the system is that the client's location is always in the centre of the map, so there is no need for searching, folding, creasing or finding oneself right on the edge of a map. It is quick, easy and accurate and also acts as a useful adjunct to the client's promotional literature," Parry said.

Many would agree with him, as since the Weekend FT article was published in

September 1991, the company's turnover has climbed steadily from £3,600 to £89,000.

Nevertheless, Location Maps registered a small loss every year until 1993, when the gross profit was £5,500. Last year it was back in the red, with a £6,000 loss, but Parry is undeterred.

"In 1994, I finally started drawing a reasonable salary, having used earnings in the early years to pay a percentage of sales to our investors and commission to our sales agents. The company also underwent a restructuring of its sales force," he said.

This was a euphemism for a swathe of cutbacks and redundancies as it might be in a large conglomerate. It means simply that Parry promoted his most successful self-employed sales agent, Michael Best, to the post of sales manager.

Although Best remains self-employed he now draws a realistic retainer, ensuring that his main efforts are directed towards pointing Location Maps in the right direction.

The strategy seems to have paid off. The company is poised to win a contract valued at £250,000 to produce maps of 100 different British Telecom sites, and the possibility of up to 750,000 maps for Leyland Daf vehicles. Its client list includes names such as Agas Rayburn, Barclays Bank, British Coal, Herts Eye Walls, Cable and Wireless, Pilkington, Povergen and Price Waterhouse.

"Our system has full patent protection so nobody else can offer the same service," Parry said.

"It has been a long slog building up the business but there have been far more ups than downs and I am confident the best is yet to come."

Location Maps, Boundary House, 1 Sycamore Drive, Banbury, Oxfordshire OX16 9HF. Tel: 01295-264160.

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FT Surveys

The new university

Continued from Page 1

getting what they used to get," he says.

But he concedes that the issue of teaching quality is an elusive one, and that there might be something of a gulf between the bullish talk of vice-chancellors and the grass-roots reality. "When you visit a university, the staff there go to any lengths to show you that things are going very well. It is not always the case."

Tony Wood, vice-chancellor of the University of Luton, says the slurs which question standards of teaching at the new universities are ill-founded, pointing to the perceptive visits paid by "hit squads" from two separate quangos, the Higher Education Funding Council and the Higher Education Quality Council, which ensure that standards are maintained.

He says that a first class degree from Luton is different, not worse than the equivalent from Oxford University. "Our emphasis is vocational, we are equipping people for life. You might get a greater intellectual challenge elsewhere, but we are doing something different."

Did he accept the Rolls-Royce/Mini analogy of the old and new universities' functions? "Not at all. I think we are like different brands of baked beans."

Luton is the newest university in England, having expanded its full-time undergraduate numbers from 300 to 9,000 in three years. Wood describes it as a "stressful time", but one that has rewarded those members of staff who were up to the challenge: "We operate a very lean unit of resource, we have had to be efficient and very aggressive in the market."

He champions the new, more flexible course structures which enable students to combine complementary subjects (say, tourism, Japanese, statistics and computing) and to play to their strengths, "which is what life is all about". You cannot, however, do a philosophy degree at Luton. "It is not what we are about," says Wood.

The brave new world of the mass university has had its victims, however. Prominent among them have been the academics, as opposed to the administrators, in both old and new universities, who find themselves with increased teaching loads, less time to do research and salaries which have fallen sharply compared

with the pay of schoolteachers and with average earnings.

The issue of research in particular is one which is causing increasing concern. The traditional image of the academic is of the heroic lone scholar, devoted to his or her students, but also to the bours of painstaking research needed to complete the epic "lifetime's work" monograph which will sell in double figures, if at all.

But in the new mass system, it is not clear that lecturers need to do any research at all. Indeed, more than 90 per cent of the grants awarded from the research councils still go to the old universities, leaving their new counterparts to hustle for cash - and some of them do it very successfully - from industry. Those who cannot hustle have to content themselves with their teaching.

Even within the old universities (which have also

Critics say that too much has been achieved in an over-hasty fashion

responded sharply to the need for research money from non-governmental sources), there is consternation, however. The importance of the research assessment exercise, which grades every department in the country, has produced a mood compared by one professor to that of a "football transfer market".

Researchers with successful publication records, who are therefore likely to score highly in the exercise, are "sounded out" by rival universities in true head-hunting fashion. The old-fashioned virtues of the academy, such as comradeship, stability and loyalty, are going by the board.

An even more common complaint about the way the expansion of universities has been managed laments the absence of a grand strategy. Critics say that too much has been achieved in an over-hasty, piecemeal fashion, and the imperative of the market has too strongly influenced universities' behaviour.

One lecturer at a new university told me of a "typical" story: although his university did not do business administration, a course was set up from

scratch within six weeks after speculative calls from prospective students provided an opportunity which was too good to miss. Admirably entrepreneurial, but just a little haphazard?

David Trieman says the very mention of the need for long-term planning is anathema in the current climate. The DfE is engaged on a review of the aims and purposes of higher education, but many think it is five years too late. In any case, it can hardly be said to have captured the public imagination.

The level and intensity of the higher education debate in Britain has traditionally been poor, especially when compared with the US, which has lived with a mass system for much longer. Americans have, in recent years, been bombarded by best-selling books on developments in universities: Allan Bloom's *The Closing of the American Mind*, Roger Kimball's *Tenured Radicals*, to name just a couple. The British have preferred to smile knowingly at the amusing absurdities sketched out in all those campus novels.

It is hard to be unequivocally optimistic about the new university system and the thousands of students it will launch on to a job market which still reflects many of the ancient taboos and prejudices. A recent book by Richard Scase and Phillip Brown, *Higher Education and Corporate Realities: Class, Culture and the Decline of Graduate Careers*, found that employers' recruitment practices still favoured traditional, middle-class graduates from the "established" universities.

But in the meantime, the hitherto stuffy world of British higher education, governed for so long by the pious world of liches at the Athenaeum, is being radically transformed by a new generation of movers and (say it softly in the common room) shakers.

Some traditions never die, however. They can just be enjoyed by more people. Listen to Tony Wood describing the queues forming outside his office block for the University of Luton's May Ball: "The tickets cost £32.50 each, which is not exactly cheap, yet the queues on the first day of sale go right round the block. It is not true that there is no sense of tradition here; there is the sense that we are creating traditions which will live on for a long time after we have gone."

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PERSPECTIVES



It's a wrap: how the Reichstag will look once Christo and Jeanne-Claude have finished with it

A cover-up at the Reichstag

Judy Dempsey talks to the artists who are about to wrap up a piece of German history in silver fabric

Christo and his wife Jeanne-Claude can hardly sit still. They are in a large bright room whose windows look out on to the Reichstag, once the seat of the Prussian parliament and the building which Hitler tried to burn to the ground in 1933.

The artists famous for wrapping things – the Pont Neuf in Paris among them – still find it difficult to believe that this month, their 22-year-old quest to wrap the Reichstag will finally take place.

Weather permitting, on June 23, Berliners will be able to see the shape of the Reichstag through a shimmering silver-type fabric, shaped in vertical folds and held together by bright blue ropes.

The facade will be covered by between five and seven tailor-made fabric panels which will be supported by steel cables. "I promise you, it will be very beautiful," Christo and Jeanne-Claude said almost in unison.

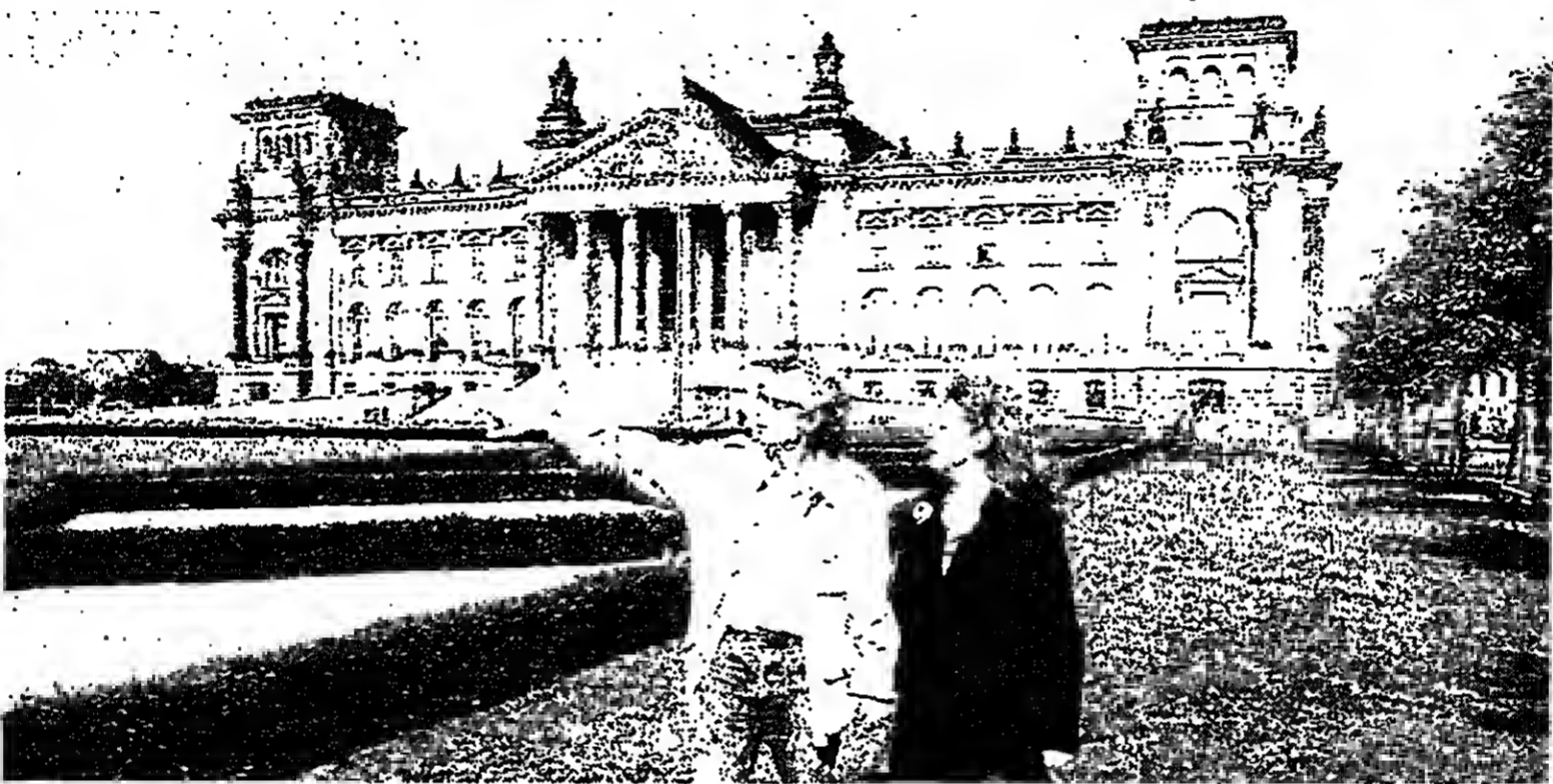
"It's like being pregnant. The waiting. The same sense of anticipation," said Christo, who in 1976, made a fence 18½ high and 24 miles long which snaked through the Sonoma and Marin counties of California, and who 10 years later wrapped the Pont Neuf in Paris.

The Christos will not forget their Pont Neuf experiences. "We had spent hundreds of thousands of dollars on it," said Jeanne-Claude. Christo continued: "And three days before we were due to do the wrapping, Jacques Chirac, who was mayor of Paris, had still not given us permission."

But of all his projects, wrapping the Reichstag has a special meaning for Christo: "We are borrowing one of the most significant spaces in the German mind," he said, recalling all the difficulties in seeking permission to wrap the building in 100,000 square metres of thick, silvery grey woven polypropylene fabric.

The plan was conceived back in 1972 when Christo did some sketches for the Reichstag. He had been living in Paris for 12 years, having left his native Bulgaria in the 1950s, where he was born in 1935.

Seeking approval from the German government proved difficult. "Twice we stopped being interested in the Reichstag project. Once in 1981, after the second refusal," said Christo. But then the late Willi Brandt, the former Chancellor and mayor of Berlin, intervened. He visited the Christos in New York. "He asked us not to abandon the idea. He said there were too many Germans dependent on this project," said Jeanne-Claude.



Just like being pregnant: Christo and Jeanne-Claude full of anticipation as their big day approaches

No official support, however, was forthcoming. The years passed by. Then, in 1991, when Christo had set up his 1,340 wonderful bright blue tall umbrellas in Japan, a German television crew asked them about the Reichstag project.

Christo recalled: "We told them that if the Germans wanted us to wrap it, let them write me a letter. And they did."

By then, Germany was united and the Berlin Wall had been down almost two years. There was a new attitude towards Christo's project among the German political establishment.

"We started lobbying again," said Christo. "The German parliamentarians were going to debate the issue. For 180 days we campaigned," he said. In all their attempts to get their project accepted, the Christos travelled to Germany 54 times between 1976 and 1993, visited 352 deputies, and over this time tried to persuade the six different presidents of the Bundestag, or parliamentary lower house.

One of the most exciting and memorable moments for Christo and Jeanne-Claude was on February 25 1994 when the German Bundestag, or parliamentary lower house, allocated 70 minutes to debate whether the controversial Reichstag should be

wrapped. The debate itself revealed the significance the Reichstag held in Germans' historical consciousness.

Elke Ebert, a Social Democrat, opposed the idea, saying the building stood for German history and could not be wrapped up. Helmut Kohl, the German Chancellor, did not warm to the idea either. And Wolfgang Schäfer, parliamentary leader of the gov-

ernment, said the Christos' philosophy towards wrap-

ing the Reichstag, and his art in general, reveals a highly individualistic approach. He loathes sponsors. He refuses commissions. He rejects projects. He loves his freedom.

"We never accept commissions. The moment we accept sponsors, we lose all credibility. The Reichstag must contain the elements of integrity and freedom."

Christo warmed to his theme. "This Reichstag project and other work that I do is about freedom. Freedom is the enemy of possession. Nobody will be able to own this project. Nobody will be able to buy this project. Nobody will need tickets to see this project. There is no profit. Once the project is over, it will never come back. We move on to something else," he explained.

He paused. "The media think there's a catch. No. There is no catch. It is like being pregnant. And then you have the child, you bring it up. It's like childhood and children. You can't hold on to them. Childhood never comes back."

The Reichstag project will have a short childhood. It will be wrapped for only 14 days. Then, the 65,000kgs of fabric will be taken down and recycled, in line with Christo's philosophy that no one can own his projects.

Christo's philosophy towards wrap-

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Christo's philosophy towards wrap-

Letter from Brazil

Mountain of dreams and despair

Angus Foster finds bitterness where 80,000 once dug for gold

It is supposed to be a mountain of fabulous wealth. According to Joatildo Batista: "It's got all the gold. It's got diamonds, manganese, palladium, everything. A real treasure – and it was all created by the Lord!"

Joao is a 40-year-old father of four whose fiery eyes force you to look away from the hills behind him. Fifteen years ago, he arrived in the Brazilian gold rush town of Serra Pelada (or naked mountain) deep in the eastern Amazon.

He has never found any gold but he has never thought about leaving, either. "I came believing this was a place where I could improve my life, and I still believe that," he says.

"As a farmer in the countryside, you have no chance to give a better inheritance to your children. It is always the same for father and son."

"I didn't find any gold. It was not that I was unlucky. But the time was not right; it was not my destiny."

"This place could be so rich. We just need the government to give us the equipment and we could employ thousands of families. We could build a better future," he adds, the bitterness streaked in his voice.

Serra Pelada was "discovered" in 1979 when a farmer showed a gold nugget he had found to the mountain's owner, Genesio da Silva. Word leaked out quickly.

By the early 1980s, Serra Pelada was occupied by 80,000 *garimpeiros* (wildcat miners) who dug a 300ft hole in one of the highest gold rushes this century. Photographs, published around the world, showed muddy-faced men clambering up the side of the mine in their thousands.

According to the official figures, 49 tonnes of gold were taken out of Serra Pelada between 1980 and 1989. Unofficially, the miners smirk, much more was removed without the government ever finding out.

But the mine started to fill with water as the hole grew deeper. Once all the easy gold had been removed, the *garimpeiros* lacked the equipment to carry on and many left. Today, only about 8,000 remain, living 30 miles from the nearest paved road and without a doctor or ambulance.

They have almost stopped looking for new deposits and, instead, are re-working all the rock and soil dug up during the rush, hoping to find small traces of leftover gold. The original mine, once as big as a football stadium, has filled with water and is now a rust-coloured lake.

Groynes with hose-pipes since soil and rock down the slope and store it in oil drums. They are emptied on long, wooden settling trays where the specks of gold stick to the bottom and are taken away in muddy pieces of cloth to be collected and refined.

Paulo Roberto, another of the miners, says the easy gold is almost exhausted. "All things come to an end, eventually. It's the same with the machinery. We want a peaceful and definitive solution. Either they give us compensation, a lot of compensation, or they help us mine it commercially with their help. The only alternative is a violent solution," he says.

The company is evaluating the area to see how much gold the *garimpeiros* left behind, and if the rumours of diamonds and manganese are true. But it is cautious about going back.

Antonio Carlos Lima Venâncio, of Vale's environmental division, says: "If we returned, we would be forced to accept responsibility for all that has already happened, for all the environmental damage that has already been done, and for all the recuperation of the affected areas. There would need to be enough gold there to pay for all this."

He has worked around Serra Pelada since the early 1980s and has seen all types of people, from criminals to dentists, arrive hoping to make a fortune. "I remember one guy who struck a seam and took out more than a tonne of gold. He spent all the money and is now begging. Gold contaminates your way of thinking."

The *garimpeiros* in Serra Pelada insist their minds have not been contaminated. But they remain driven by the same dream of riches and a better future that brought them 15 years ago – and the reality that they have no better option.

"We're going to stay until it's settled. We'll only leave with our money," says Agamemnon.

decision. It will come. We'll wait until there is a decision," he says. The "decision", which shows no signs of coming quickly, will be made by Brazil's government and its biggest mining concern, Companhia Vale do Rio Doce.

The company, to which the *garimpeiros* refer with a sneer, is known best for its nearby iron ore complex at Carajás. But it is also becoming more and more interested in gold.

When Serra Pelada's secret got out, the government expropriated the area and tried in 1984 to hand it to the Vale company for commercial exploration. But when it tried to expel the *garimpeiros*, there was a rebellion and the miners marched on Carajás. The government has never tried again.

Agamemnon, a heavy-set *garimpeiro* with a short temper, explains what he wants. "We *garimpeiros* discovered the gold and we have the right to exploit it. But we cannot extract any more without investment and large scale

machinery. We want a peaceful and definitive solution. Either they give us compensation, a lot of compensation, or they help us mine it commercially with their help. The only alternative is a violent solution," he says.

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"We're going to stay until it's settled. We'll only leave with our money," says Agamemnon.

The Nature of Things

How brains fit facts to faces

Barcodes allow us to recognise each other, writes Andrew Derrington

The human face is a mine of information. A friend's familiar face distinguishes him or her from the unfamiliar passers-by. But even though you may never have seen them before, you can tell the age and sex of the other people in the street just by looking at their faces. You can also tell whether they are happy, sad or angry.

Psychologists, who investigate how we extract all this information – and particularly neuropsychologists who study how brain damage affects our ability to do so – have shown that several different brain systems are involved. Surprisingly, the crude ore from which this information is extracted is a barcode not unlike those which are found

on supermarket labels. A great deal of what we know about the perception of faces comes from the study of failures. Computers that simply compare faces with a stored image perform pretty badly in facial recognition and may completely fail to recognise someone if he changes his expression. That tells us that the brain must store information about faces in a very flexible way. Analysis of the errors people make gives us some idea of the flexibility.

The commonest errors are simply that we either fail to recognise someone we know, or that we erroneously think that a stranger is familiar.

According to Andy Young of the MRC Applied Psychology Unit in Cambridge, these errors are not very interesting. They usually happen in bad lighting, or when we only glimpse the other person.

However, it is also very common to recognise a face, but not to be able to remember anything about the person except that we know them, or

to be able to remember everything about the person except their name. That suggests the visual properties of a person's face, information about their identity, and their name are all stored separately in the brain. The mistakes that people with brain injuries make are also very informative. Very rarely, brain damage can result in the complete inability to recognise faces. People suffering from this condition, known as prosopagnosia, can see faces clearly and they can recognise other objects, but they cannot recognise faces.

A big problem in studying people with brain injuries is that they often have a wide range of deficits. In order to disentangle the underlying components of mental ability, neuropsychologists must contrast success and failure in a technique called double dissociation.

For example, people with prosopagnosia, although completely unable to recognise faces, can tell whether the faces they see are happy or



Labels: Roger Watt, his bar code and the two superimposed

sad. Other brain injuries destroy the ability to interpret the emotional information in a face, although they leave the ability to recognise faces unscathed. That double dissociation shows that recognising faces, and extracting the emotional information they contain, are separate abilities which depend on different brain systems.

According to Roger Watt, a psychologist at Stirling University who makes extensive use of computers to simulate and study the visual system, information about the face starts its journey through the

brain in the form of a barcode. The barcode is produced in a part of the visual system that blurs the image to different degrees in order to extract the differences in light and shade caused by objects of different sizes. If you blur your eyes while reading this you will still be able to see the rough outline of the newspaper, but you will be unable to read the print, because you cannot see fine detail.

Your brain maintains several different copies of the visual image, each of them blurred to a different degree. That allows you simultaneously to read, to

see the layout of the page, and to see the newspaper and the other objects surrounding you.

While simulating the way the visual system blurs images, which is not exactly the same way you blur your eyes, Watt's research group discovered that all faces produce a pattern of five horizontal stripes in one of the blurred images, the barcode.

Different faces produce barcodes that differ in the width, position, and brightness of the stripes. These differences are sufficient to identify whether the person is male or female, and – about 85 per cent of the

time – whether they are happy or sad. Similarly, processing a face to change its barcode, even though it still leaves it looking like a face, makes it impossible to extract other information from it.

Not all the information we extract from a face is contained in the bar code, but it signals the location of the main features and tells the brain which parts of the fine-detailed images are worth scrutinising, for example the eyes.

Watt is now trying to get computers to extract information from the smaller bar codes that come from these areas.

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FOOD AND DRINK

The best-value white in the world

Jancis Robinson on the grapes of southern France that are creating a new generation of exciting flavours

It change! It is now possible, may easy, to find a whole range of inexpensive French white wines that are not Chardonnay, not Sauvignon, not Muscadet, not Cotes de Gascogne but exhibit a quite different range of exciting new flavours.

Only a year or two ago southern France had a desperate shortage of Chardonnay, a variety so fashionable and glamorous that its very name commanded a price premium. But now there is such an abundance of Chardonnay in the Languedoc that producers are having to offer new thrills.

In an intoxicatingly short period, producers and professional buyers seem to have turned their combined attentions to a galaxy of new white wine flavours which owe much to the indigenous varieties of the south of France, many of them distinctly Rhône-like, even if many of them are bulked out by the obliging versatile Chardonnay.

All of these varied 1994 whites - most of them Languedoc country wine, or Vin de Pays d'Oc - are full bodied and the best have an intriguing range of scents and tang, typically backed up by some real substance and interest, which make them surely the world's best-value white wines.

There have long been vast tracts of Grenache Blanc grapes in the south of France - indeed it is the third most planted grape variety in Roussillon. Dark-skinned Grenache is famous as providing the bulk of the fruit for southern Rhône reds such as Châteaufort-du-Pape. For

years its light-skinned cousin languished as an anonymous ingredient in flabby, full-bodied local whites.

But now an army of talented winemakers is able to vinify it refreshingly into wines that benefit from its natural substance and floral aromas while keeping some apple crispness in the wine, either by picking some grapes very early, by careful additions of acid or by blending in a tarter but more scented variety.

A particularly successful example of this last technique is Le Cordon White, a blend from low yielding vineyards in the Gard department (down Mimes way) of 65 per cent Chardonnay with 25 per cent Grenache Blanc and 10 per cent Roussanne, the nervier of the two white Hermitage grapes. The Thresher/Wine Rack/Bottoms Up group has this juicy wine reminiscent of ripe pears and lemon peel for £3.99.

At the same price is Big Frank's White, an equally characterful blend of Chardonnay with the other two north Rhône white grapes Marianne and Viognier (£3.99 Victoria Wine). Both of these wines have the body and crispness to be equally at home as aperitifs and on the dinner table.

And it is surely significant that when the respective giants of Australia and the Languedoc, Penfolds and Val d'Orbien, got together (for no very clear reason) to produce a red and a white, the white Laperouse is a blend of Chardonnay, Grenache Blanc, Colombard and Marsanne (£4.49 and as widely

stocked as you would expect of something backed by such muscle).

The nervy excitement of pure Roussanne fruit can be tasted in Hugh Ryan's Roussanne, Vin de Pays d'Oc, £4.75. Waitrose considerably cheaper than the Chignin-Bergon that is Saviole's more delicate version found in many top restaurants.

The Viognier grape could be labelled by the cruel as flavour of 1993, so a tidal wave of Viognier 1994 is about to wash on to our shelves. To get the real sultry smokiness of this varietal, it seems necessary to spend at least £5 or more on a really serious example from Condrieu or Châteaufort, but superior cheaper versions sold as Vins de Pays d'Oc include the Domaine de Baisasse Viognier, £4.99 from Fullers.

Fullers also stocks an attractively full bodied blend of Viognier, Grenache Blanc and Marsanne Domaine Vieux Manoir de Marans from the southern Rhône at £3.99. Lots more of these, please!

The right bank of the Rhône, south of Condrieu, is another interesting source of Viognier, and Marks and Spencer's Chardonnay Viognier, Vin de Pays des Coteaux de l'Ardeche is excellent value at £3.99. The Viognier grapes headily perfume the blend even though they constitute only 30 per cent.

Another southern French white grape causing a little flutter in the jaded wine market at the moment is Rolle, which sounds so much more exotic than when it is called Vermentino.



Victoria Wine has Max Robert's Gorrally aromatic Rolle Vin de Pays d'Oc at £3.99 in bigger branches where such an outé name might reasonably be expected to sell, while Kwiksave pumps for the Italian name Vermentino in a rather less exotically scented version at just £2.99.

Even more of a bargain among these new wave whites is Tesco's

Domaine Grand Bois at £2.99 which, in spite of its name, is in fact mercifully unmarked by oak but is a deliciously full, subtly flowery mouthful, thanks to its base of Grenache scented with Rolle.

Finally, for those who want real substance on the palate, and a couple of the Languedoc's own varieties, there is the Clairette, just saved from falling over itself by careful

winemaking at the local co-op supervised by Aimé Guilbert of the Languedoc's most famous wine estate, Mas de Damous Gassac. Tesco sells this as Clairette, Les Vieux Cépages, and its red Syrah and pink Cinsault sisters, for just £3.49.

And then there is the Picpoul which was once used to add zip to Clairette, now available in smoky,

lemon-scented, full-bodied yet appetising varietal form at Morrisons and Majestic for about £3.79.

It must be an absolute nightmare for ambitious vine growers in the south of France at the moment. Their dilemma is to try to guess which vine variety is sufficiently marketable in the long term to be worth planting for the next 20 years or so.

Fine food, but so noisy

Nicholas Lander on why modern restaurants can be so uncomfortable

The most frequent comments I hear from regular restaurant-goers rarely touch on the quality of the food. They usually go something like this: "It was so noisy that I couldn't bear myself think, let alone what my guest was trying to say." Or perhaps: "Why are all modern restaurant chairs so uncomfortable?" and "The lavatories were so hit-and-miss I couldn't work the taps."

This is usually followed by: "The food was good but we won't be going back." In some cases I have been told of diners going to a nearby hotel for coffee rather than struggle any longer to be heard above what they describe as the Concorde-like noise level.

In the triangle between restaurateur, architect/designer and the customer, there is no doubt at the moment that it is the customer who suffers. The restaurateur may pack in enough tables, the architect win another commission, but is either taking account of one of the most basic reasons for frequent restaurants - to converse?

The working relationship between restaurateurs and architects has never been easy. While it is usually the disputes between proprietors and chefs, or between chefs and customers, which attract the headlines it is the disputes between restaurateurs and their architects, after the opening of any new restaurant, which are the most bitter and long lasting. The explanation for these disputes is highlighted by this parable of the restaurant trade. Shortly after opening, the restaurateur invites his architect to lunch. The architect is offered the menu and wine list and asked to choose. Every



'Starving or non-starving'

time he does so the restaurateur contradicts him and says: "No, not the duck. Have the beef instead. Let's not have claret. A good burgundy would be nice. You'll enjoy it more." This continues throughout the meal until the restaurateur says to the architect: "Now you know what it has been like working with you on my restaurant and with my money."

There are three fundamental causes for these disputes. The first is that when restaurateurs, or nascent restaurateurs, find a site, they fall in love with it. They are consumed by a passion to open the restaurant of their dreams and this passion has to sustain them through months of legal, licensing and construction problems until the opening night when other problems take over.

When restaurateurs do find such a site they are rarely accompanied by an architect. It falls to the architect to explain how large the kitchen capacity

must be for a set number, where the fire escape must be and the size the bar must attain to cope with the expected numbers. If he does not fully explain these points - and many others - then integral parts of the restaurateur's dream will be just that - a dream.

When selected to design a restaurant, an architect will invariably become absorbed to the point where it may seem that he is taking over, as restaurateur Joe Levin discovered while dealing with architects Allies & Morrison in their design for his restaurant, The People's Palace, at the Royal Festival Hall, London.

Everyone at some time wants to play a restaurateur but for an architect there is an extra bonus - restaurants are the best, most public, most cost effective showcase for their skills.

Wealthy individuals and big corporations may pay more and have bigger budgets but when these buildings are finished they are private, to be visited only by appointment and then in hushed voices. Not so a busy restaurant. Hundreds of customers may eat there every day, increasing the possibility of a verbal recommendation for another job. Whenever an architect wants to impress a potential customer all he has to do is book a table and let the restaurant sell his talents.

Anyone interested in the skills of the Conran Design Partnership for example only has to book a table at Bibendum, Le Pont de la Tour or Premier, the new restaurant in Selfridge's, to see its work.

For a restaurateur, choosing the right architect/designer is vital. When I recently met a successful London restaurateur who had just bought what sounded like a highly promising new site I offered my congratulations only to be told: "Thanks, but there is a long way to go yet - we haven't even chosen our architect."

Modern day economics add perhaps the final twist. To pay for higher rents, wage bills and repay shareholders, central London restaurateurs must "turn tables", ie arrange bookings so that there can be three "sittings" on busy nights in the West End, say from 6.30pm, 8pm and 10.30pm. But with every one sitting comfortably, chatting over empty coffee cups this is often not possible.

Once a restaurant has been described as a venue for large parties, rather than for an intimate dinner, the problems usually get worse. Although I can wholeheartedly recommend the food at any of the following London restaurants, I always have to add a caveat about the noise level: Belgo Central, Kensington Place, The Fire Station, St John, Imperial City, Stephen Bull's Bistro, Orso, The Canteen, and, worst of all, Quaglin's.

Restaurateurs, their architects and designers overlook their customers' need to converse and their physical comfort at their peril. Customers will vote with their feet. Who will be the first restaurateur to put at the bottom of the menu: "We have given the restaurant's acoustics as much attention as our menu and wine list?"

Appetisers / Nicholas Lander

Restaurant openings

Plenty of restaurant activity in London's Covent Garden: at No.35 Earlham Street is Jones Restaurant (tel: 0171-240 2662, open Mon-Sat). More formal than the recently opened Belgo Central (0171-813 2233) nearby, it is still quite relaxed with an exciting, fresh menu that says: "Our menu uses organic meat, fruit and vegetables wherever possible."

No more than a stone's

throw away at 8 Great Newport Street, WC2. (0171-240 1551) is The Newport with chef Ian Lynnes. First courses are £5.50, main courses £11 and desserts £3.90. The slogan on this menu is: "Freshness is half the battle."

For those not wanting to fight their way into the West End there is The Popeseye Steak House, 108 Blythe Road, W14, 0171-810 4578. Aberdeen Angus, bung for a minimum of two weeks make up a short

menu: rump (called popeseye by the Scots), sirloin or fillet, 6oz, 8oz and 12oz but very keen prices for wonderful beef and a short, well-chosen wine list. Dinner only Monday-Saturday. In south London, The Stepping Stone, 123 Queenstown Road, SW8, 0171-622 0555, still offers a £10 lunch menu and tries to source its supplies direct: sausages from Sutherland's Farm, Hampshire and salads from Appleford salads, Kent.

Good cheesemongers seem to be on the increase and the range of cheeses on offer in many supermarkets is improving. But nowhere in Britain have I been able to find on sale cheese of a delicate junket-like texture and cool creamy taste akin to the fresh gbe/niet which I enjoyed so much in Malta.

The only answer, it seemed, was to try my hand at making it myself.

I do not pretend my version is authentic but it is very good and very simple. My prime purpose in wanting fresh gbe/niet (or an acceptable alternative) was because it is an essential ingredient of a soup to which I have become more than mildly addicted.

Widow's Soup is its name. Not the most enticing of titles, but the reasoning behind it is understandable.

Few soups are quicker or easier to make. It is easy on washing up, and economical, since it calls for just a little selection of this and that which might be ready for harvesting from the vegetable garden at any one time, or which could be bought cheaply.

Basically Widow's Soup consists of good clear stock thickened with vegetables, finished with slices of cool creamy cheese - and, optionally, a poached egg. It is in effect a stew between a soup and a stew needing only good bread on the side to make a proper light meal with a healthy balance of vitamins, fibre, carbohydrates and protein.

Most versions are wintry in concept, majoring on worthy root vegetables. Good honest stuff, warming and nutritionally sound, but it is gastronomically of little note.

Until last year, Longmorn distillery was Scotland's best kept secret. But then owners Seagram decided to pull back some of it from their blends, to repackaging it and sell it as a single malt. Before then it was known almost exclusively to the trade. Had you asked any of the blenders, however, the chances are they would have listed it among the three best Speysides.

The 1890s was a boom time for whisky. In the course of the decade 33 new distilleries opened in Speyside. By 1898 there were 161 distilleries churning out Scotch. Now there are fewer than 100.

Lein Russell of Glasgow University has made a special study of Longmorn. Russell says that the boom was a direct result of phylloxera, the vine louse which devastated the second half of the century. It rendered not only wine, but also brandy, suspect.

Blended whisky had also come into its own. He believes that those early malts were rather less attractive than their modern counterparts: less consistent in quality and more pungent. The Buchanans and Dewars had learned just how much malt was needed to "cover the grain". Only then was Scotch able to tilt at the colonial monopoly then controlled by Irish whisky.

Cookery / Philippa Davenport

Good and simple

It was Malta's number one television cook and author, Marianne Coleiro, who pointed me in the right direction. Spring crops make all the difference, she told me. How right she is. The first of the new season's vegetables, a few saladings and herbs, these are the grace notes that transform Widow's Soup from mundane to special.

So far as I am concerned you can forget about the egg. It is the cheese that makes the dish, its slightly slippery cool creaminess making a lovely foil for the satin richness of the broth and the agreeable hint of bite in the vegetables.

If a little extra protein is wanted, rather than the egg, I would add a few shivers of meat from the chicken wings that made the stock. But any addition is unnecessary. Thankfully, I am not a widow, so my version of the soup is designed to serve two people; and there is enough cheese to make the soup two days running. Alternatively, I sometimes use half the cheese for the soup and serve the rest the following day on some made oatcakes or sesame biscuits, with or without a sprinkling of fresh herbs.

LIGHT CREAM CHEESE
True gbe/niet is made with ewe or goat's milk. But cow's milk is excellent too. And now,

when the fields are lush and green, and milk is at its richest, is the ideal time to make soft fresh cheese.

Ingredients: 1/4pt rich (gold top) milk; 1/4pt single cream; 1 teaspoon junket rennet; 1/4 teaspoon salt.

Mix the milk and cream and warm gently to blood heat (93°F or 34°C). Remove from the heat, stir in the rennet and pour into a small bowl. Leave undisturbed at room temperature for 2 hours or so until set and cold.

Ladle the thick creamy junket into a colander lined with wet butter muslin, sprinkling salt between layers. Leave to drain in a cool larder for an hour.

Turn the curd and draw the buttermilk up more tightly all round it, twisting it round the "neck". Leave to drain for

the heat, stir in the rennet and pour into a small bowl. Leave undisturbed at room temperature for 2 hours or so until set and cold.

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shoulders at the idea and says: "I wish I knew."

The distillery shares the same water supplies as Benriach a few hundred yards away, but the two distilleries are remarkably different. Denis Malcolm of Seagrams points out all the usual things which signify quality in a Highland distillery, such as the wooden backs which are bomes to benign bacteria.

At Longmorn the fermenting wash has a strong honeyed smell which is recognisable in the whisky itself. The stills are small and dumpy. Malcolm points out that the stills have been run at the same speed for 34 years although I noted that the first barrel of Longmorn in 1894 was distilled at a slightly lower alcoholic strength than it is today.

Russell says the most popular blending whiskies, those with the big, sweet heather and honey aromas, such as Longmorn, Glen Grant and Glenlivet, all turned out to be highly popular when the time came to release them as single malts. The most adaptable were also the most appealing, he believes. For Longmorn manages to be so superior is still a little mystery, a last secret it will carry with it into the 21st century.

Longmorn is available from branches of Oddbins £22.99 (save £10 if you buy two) and Sainsbury £20.95.

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TRAVEL

Vainglory and vinegar in Cairo's labyrinth

Nicholas Woodsworth outlines an uncommon perspective upon ancient and modern delights of the Arab world's capital

Civilisations come and civilisations go. There are moments when I am not certain if our own peculiar way of life - call it civilisation if you will - will last out the week.

It is at times like these that I find some comfort in wandering through the detritus and wreckage, the unconsidered remains of old cities. Because, after all, on the uppermost surface of the crumbled monuments, the discarded artifacts, the disappointed ambitions that make up history's layered strata, life - irrepressible, unput-downable human life - carries on.

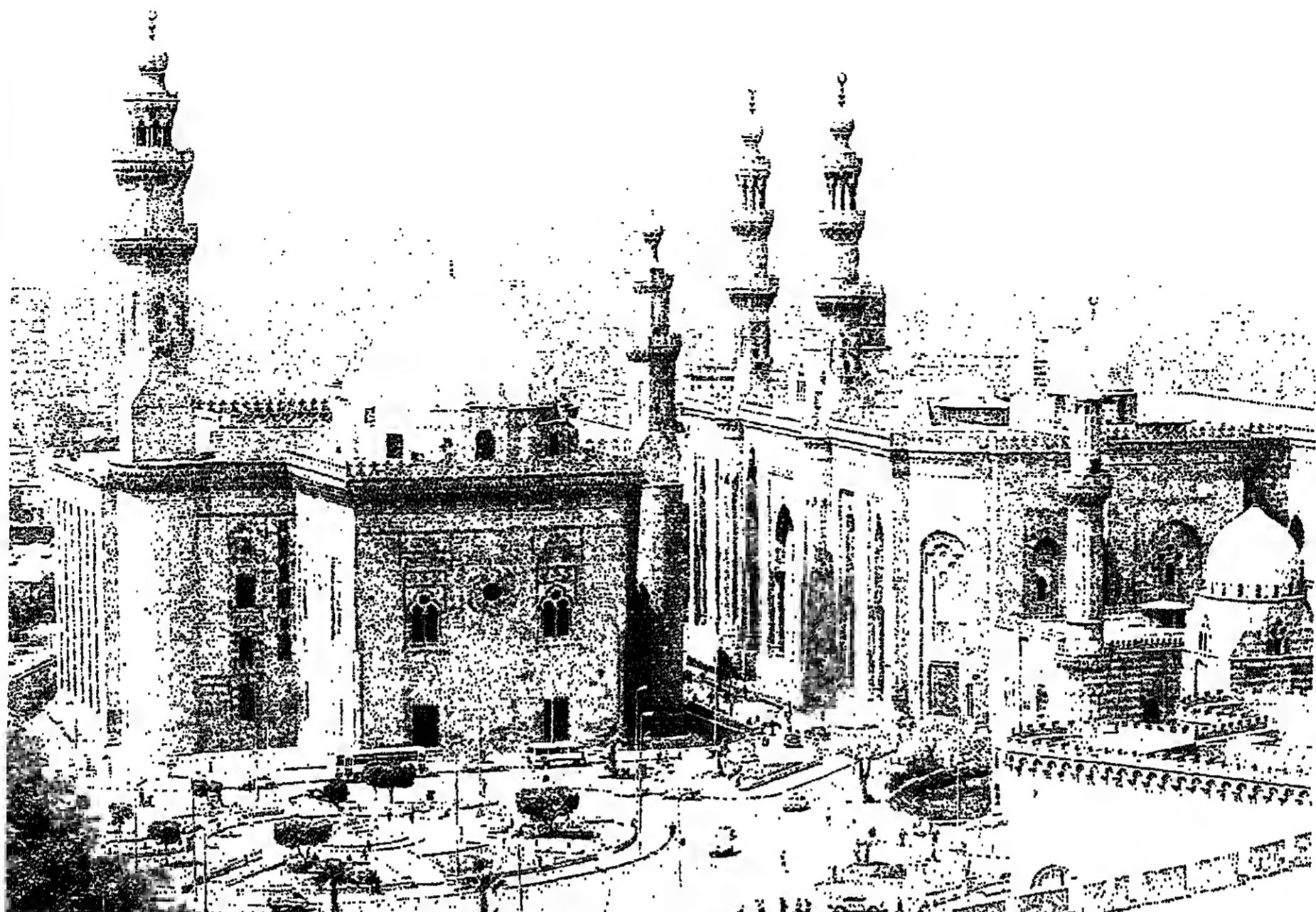
Of all the cities where flesh and blood shows its fine disregard for the vainglorious of the past, I prefer Cairo. Pharaohs, Nubians, Assyrians, Persians, Alexander and the Ptolemies, the Romans, Byzantines, Arab dynasties, Mamluks, Circassians, the Ottomans, Napoleon, the British empire - all these had a go at it. And all vanished into the night of history.

Yet Cairo, capital of the Arab world and one of the great cities of the globe, lives. It bubbles, percolates, continuously seethes with humanity. Its age-crusted battlements loom as grandiose background to the simple daily gestures of the present. Who needs weighty and philosophical ramblings on the nature of time and mortality to show us our tiny place in the great sweep of history? It can all be found in Cairo with a much more down-to-earth kind of rambling.

I began my Cairo stroll early one dusty morning at Bab elFutuh. It is the massive fortified gate, 30ft high and studded with iron, that stands in the northern wall of what was once the royal enclosure of the Fatimid Empire. Three quarters of a mile long, half a mile wide, 1,006 years old, Al-Qahira - from which visiting western merchants took the city's European name - is the compact heart of medieval Cairo. Filled with hundreds of monuments and thousands of people, no other quarter in this sprawling capital offers up its past in such effervescent, unselfconscious manner.

So lively was it when I arrived, in fact, that I was unable to pass through the gate. One broad-boxed donkey cart on the way into the narrow stone gateway had snagged on another donkey cart on the way out. And there they sat, jammed, the patient, diminutive beasts that drew them unable to move forwards, their obstinate drivers each refusing to move backwards.

A wholly Cairene tailback soon developed: a boy on an old sway-backed horse, herds of sheep, their coats stained bright orange or pink for identification, headed unsuspecting to the butcher's block; a black Mercedes-Benz full of dubious-looking businessmen; wooden handcarts piled high with melons and eggplants; more donkey-carts; some delivery vans; a squad of bashed-up black and white taxis, their radios blaring; motorcycle-riding fathers delivering their children to school, said off-



Islamic Cairo in soft-focus: Pharaohs, Nubians, Assyrians, Persians, Alexander, Romans, Byzantines, Arab dynasties, Ottomans, Napoleon, the British empire - all had a go at it, only to vanish

Tony Anderson

spring hanging on for dear life.

There was an unholy din of horns, a racing of engines, a raising of loud and excited voices. I feared it would come to fistfights. And then, because Cairenes are in their mercurial way as sociable as they are self-centered, it all ended as fast as it began. The carts were unsnagged and the cavalcade charged forward. We spilled into the garlic market that lay beyond the gate like a rag-tag army of conquerors intent on pillaging the million bulbs of garlic that lay precariously piled, shoulder high.

But I did not need garlic, I needed perspective. Mounting a narrow set of stairs, I climbed to the battlements on top of the old royal Fatimid wall.

Immediately below me lay the 11th century mosque of Al-Hakim, the paranoid, mystical Fatimid caliph who proclaimed himself divine and cut off the heads of any who doubted it. Shunned for centuries, it has been variously a prison for Crusaders, a stables for the great Moslem warrior Saladin, an armory for Napoleon, and a government warehouse. In the 1980s it was a football field for schoolchildren. Ironically, this is a mosque which has escaped the fate that has overtaken most of medieval Cairo's monuments - it has been lavishly restored by a sect of Indian Shi'ites who, for obscure reasons of their own, still look to Hakim as a messiah.

Not so other great buildings of

the past. From where I stood I looked out on to an exotic, unfamiliar topography: bulbous, onion-shaped domes topped with the crescent moon of Islam; the crumpled remains of thick walls and towers; the oblong spaces of innumerable mosque courtyards open to the sky; sparse forests of tall minarets, some thin and as straight as pencils, others heavier and garnished with balconies, conical roofs and ornate stonework.

But even from this distance I could see the effect of years of neglect - cracked and decayed, covered in desert dust and surrounded by urban refuse and rubble, the great monuments of Islamic Cairo seemed half-way to oblivion.

When the proud Fatimids, rulers

of Cairo's first great golden age, held sway here, Al-Qahira was a closed city within a city, reserved for the caliph and his vast court retinue of wives, slaves, children, eunuchs and palace guards. The populace, excluded from an opulent lifestyle that revolved around art, music, and a love of fine architecture, lived on the periphery.

But nothing lasts - droughts, plagues and failed harvests care little for mortal pride. The Fatimids fell. The city was opened to the common people. Where once magnificent palaces and parade grounds stood, narrow streets, crowded bazaars and great warehouses grew up. New rulers, new dynasties came to power, built monuments to themselves, and then

receded into obscurity. But with or without them the business and commotion, the great mill of Cairo's hectic daily life, continues to the present day.

From above, one senses history. From below, at street level, there is only humanity. On I strolled down the busy thoroughfares. Some turns took me into complexes of tiny workshops where a furious hammering of brass produces shiny trays and lamps. Others led into a warren of low and narrow-doored tenements. Too energetic, too gregarious and full of movement to be contained inside, much of the life of the quarter is played out in its streets and alleys.

It was in these streets that the writer Naguib Mahfouz grew up.

Years later, his evocations of the quarter's poor and working class - prostitutes, cafe loungers, shopkeepers and lowly bureaucrats - earned him a Nobel prize for literature. It also earned him the enmity of Egypt's now-vigorous Islamic fundamentalist movement: last year Mahfouz narrowly escaped death in a terrorist attack that shocked the nation.

Few tourists wander off the main streets into the depths of the quarter, but Mahfouzian characters still abound. I met one, a smiling pickle-maker in a stained tunic who told me his family had been making pickles in the same tiny shop for more than 200 years. We chatted about Cairo during the war, when he learned English from British soldiers.

"Oh, they drank a lot. They were very jolly", he told me. "Lately we Moslems don't drink much at all. But, please, try my Islamic cocktail."

So saying, he selected a jar of cucumber pickles from the shelf behind his head and poured off a small glass of vinegary brine.

"Better than Johnny Walker," he cackled, delighted by my face. I sipped again. Certainly it was more memorable than Johnny Walker.

By noon, I was on the other side of Khan al-Khalili, the labyrinthine bazaar that sells every item of oriental exotica imaginable.

Did I want Opium, Poison, Obsession, Eternity? I managed to avoid the temptations of the Helal scent shop, dealers in imitation name-brand perfumes. Instead, just around the corner, I found myself drinking a glass of mint tea and arguing the questionable taste of a silver bowl mounted on a trio of trumpet-playing cherubs.

Why did I buy it? I am not sure I had much to do with it. Once they get going there is little that Khan al-Khalili shopkeepers, consummate salesmen, cannot persuade you you do not desperately need. The bowl sits at home today, and I am growing almost fond of it.

I sat, in the afternoon, in cafes where men puffed at grumbling water-pipes. I gazed at sweet-makers stirring vats of bubbling oil, market-women piling wicker baskets of cooling pigeons, cloth merchants in dark shops whiling away the hours before tiny desk-top televisions. Around them, on every corner, lay great buildings, dirty, dilapidated, falling apart. Were Cairenes entirely oblivious of the past, I wondered?

And then the muezzin, the call to prayer, rang out on speakers across Al-Qahira. "Allasaaah Akbar!" they proclaimed in fierce, drawn-out pride. God is great. From shops, homes, offices and cafes, Cairenes moved off to Al-Azhar, Sayyidna Hussain, and a score of other mosques scattered through the quarter.

There is no risk, I then realised, of our western past, or the Islamic past, getting lost. It is not part of buildings and monuments. It is a part, sometimes too much and too violently so, of ourselves.

Madrid's game of death

Spaniards fight bulls while the rest of Europe dozes, writes Lori Cidyllo

At the stroke of eight o'clock, office windows radiant with electric light grow dim like thousands of eyes closing. As the sky becomes a lush Mediterranean canvas of violet and orange, swarthy young men loosen their ties and speed off on motorbikes to join friends for a night on the town.

While the rest of Europe is slipping into bedroom slippers, the Spanish soul is just beginning to stir. In this Elysium of the sleepless, there are traffic jams at 3am. At 4am, people stroll along moonlit streets, gazing at the stars, walking dogs, and chatting.

The Spaniards have another mysterious passion: bullfighting. Madrid, the bullfighting capital of the world, is famous for its bullfighting culture, which includes special bars called *penas*, where votaries gather to eat, drink, and sing lively songs in honor of their favorite *torero*.

Bullfighters, reputedly endowed with extraordinary valour, strength of character, and virility, perform breathtaking feats, such as kneeling on one knee and kissing the bull or kneeling on both knees and swirling the cape tantalisingly in front of the enraged beast, inciting it to charge.

Bullfighting is also practised in Mexico and Peru. However, the Spaniards, regarded as the unrivaled masters of this ancient art, have perfected it to such a remarkable display of precision and skill that even some westerners have become ardent aficionados.

Ernest Hemingway became so obsessed with bullfighting after he saw his first corrida in 1923, he wrote two books about it (*Death in the Afternoon* in 1932, and *The Dangerous Summer*, published posthumously in 1985). Instead of the single article he had been commissioned to write. He was

respected in Spain as a knowledgeable devotee. What is it about this macabre minut that inspires such awe and reverence? I decided to go to Madrid's Plaza de Toros to find out.

In spite of my initial misgivings, I was soon mesmerised by this carefully orchestrated "game of death", as Hemingway called it. I also understood why he called it a "deadly dangerous performance only made possible by perfect nerves, judgment, courage and art."

Deadly indeed. Few *toreros* go through an entire *temporada* (season) without being gored. The chances are so high that they wear scrupulously clean trousers, so that if they are gored in the groin, the cloth driven into the wound will be sterile, reducing the chances of infection.

While some survive to recount the tale with great *brio*, many die and are transformed posthumously into legends. Clad in an exquisite *traje de luces* (suit of lights) adorned with shimmering sequins, which dates back to the 17th century, the *torero*, often a handsome young man, moves with great flair. Each time the bull charges through his silken red cape, he moves aside in the nick of time as the crowd yells, "Ole!" (Bravo!).

Although the spectators looked tame enough (there were quite a few grandparents hankering squirming grandchildren on their laps), beneath those placid faces, they resembled spectators in ancient Rome who watched robust gladiators stride into the coliseum to face almost certain death.

In fact, when the *torero* raises his sword and asks the judge for permission to dedicate the bull to someone, often a young *senorita*, he turns his back and tosses his *montera* (hat) over his shoulder and

says, "Ave, Caesar, morituri te saluamus" (Hail, Caesar, we who are about to die salute you)" echoing the famous final cry of the gladiators.

The crowd seemed torn between man and beast, depending on who held the advantage. When the *torero* appeared to be in trouble, an elderly gentleman stood up and yelled, "Hombres! Hombres!" to the *torero's* assistants, who are on hand to distract the bull if the situation becomes life-threatening.

However, moments later, when the bull managed to elude three of the assistants as they tried to thrust decorated sticks with sharp barbs on the ends - called *banderillas* - into its neck, and nearly gored one of them (the jumped over a fence), the crowd, including the elderly gentleman, began yelling, "Viva el toro" (Long live the bull).

Bulls are expected to be brave, that is, to charge. If they do not, black *banderillas*, which symbolise shame, are used instead of brightly coloured ones and both the crowd and the *torero* chide the bull for its cowardice.

On rare occasions, a bull will prove so valiant that the crowd refuses to allow it to be slain. In such cases, the bull is said to be *matado* (forgiven) and the *torero* tearfully asks the judge to spare this amazing animal. I had hoped that this might happen at the corrida I went to. However, all six bulls were killed with a decisive thrust of the sword - to the jubilation of the crowd.

But nothing in Madrid went quite as I had hoped. After the bullfight, I went to see a performance of flamenco dancers and ended up at a wedding instead.

The tour bus was to leave from Puerta del Sol (the Gate of the Sun) at 4:30pm. As I waited in the merciless heat, watching the hands of the giant clock in the square

advance toward 5:25pm, my spirits sank. Finally, I decided to take a cab to Florida Park, the address on my dog-eared ticket.

Inside the park, the moon cast pale silver filaments of light over the tops of the palm trees. As I walked under their tinselled, umbrella-like heads, a soft zephyr gently ruffled their fronds, like fingers running through long hair.

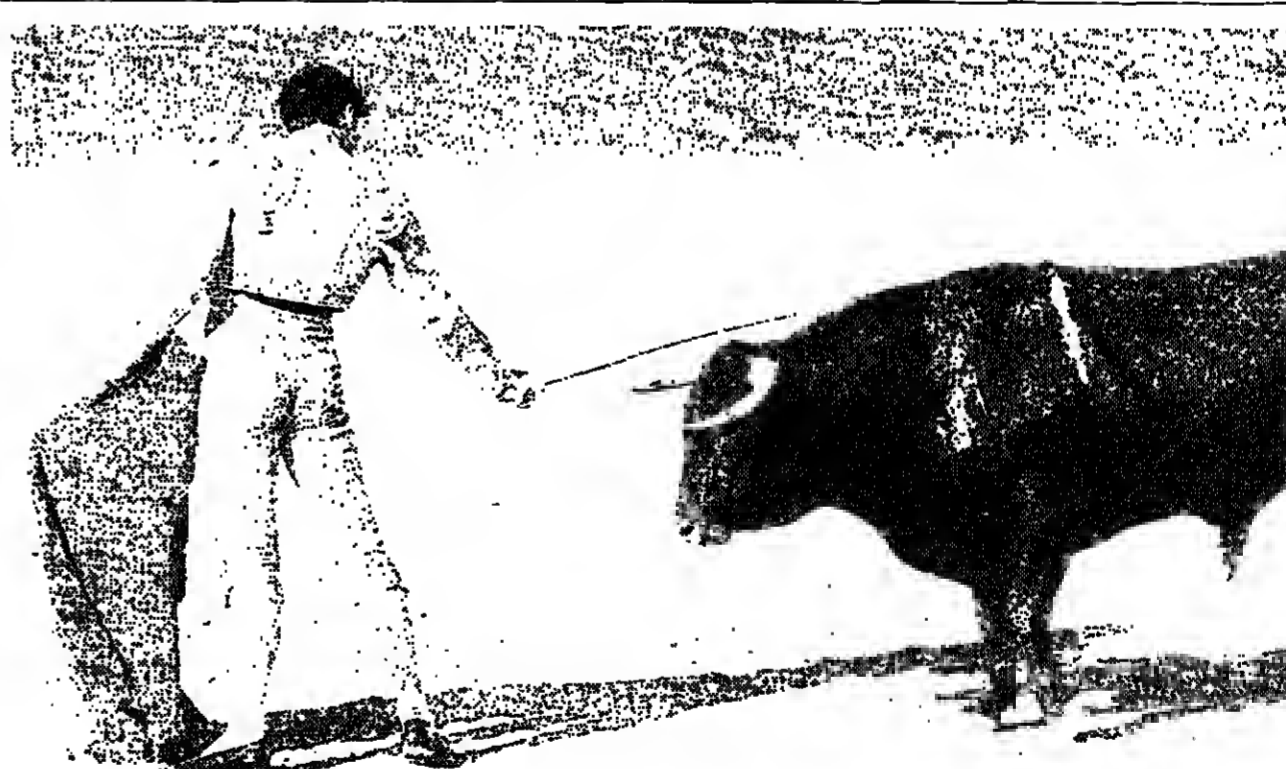
At last, I came to a villa. "Flamenco dancing? Tonight?" said the man at the door. "The only thing going on here was a wedding reception, he said. I showed him my ticket. He looked at me sympathetically and asked where I was from.

"Ah, Americana!" he said, beaming. "You will be our guest. Follow me."

Inside, chandeliers sparkled and fresh flowers were everywhere. Smiling mischievously, he picked up a menu from one of the tables and translated the items into English: lobster bathed in garlic sauce, caviar, coconut cocktail and *churros con chocolate*, a delectable Spanish pastry.

"What do you think?" he asked, pulling out a chair for me. What could I say?

Just as I was pondering how I would reply should anyone ask what I was doing here, the photographer, who thought I was Italian, began snapping pictures of me.



Macabre minut: the crowd seemed torn between man and beast, depending on which held the momentary advantage

As the flashbulb blinded me again and again, I began having visions of the bride and groom, sitting on their living room sofa, years from now, looking at their wedding album and asking, "Who is this woman?"

Although the groom, whose

name, I learned, was Benito, cast me a puzzled glance, fortunately he never questioned my presence. As for everyone else, the many toasts of the evening had worked their magic and I was eagerly welcomed by guests from both sides of the family. Before I knew what

was happening, two middle-aged couples pulled me on to the dance floor. To my amazement, as we shimmered to a sensual Spanish beat, some of the guests whipped out castanets and began clapping them together with expert fingers while stamping their feet ener-

getically. As they pirouetted with abandon, yelling "Eeeyeah", those of us who were less agile encircled them and clapped in time to the music.

Well, not exactly a flamenco dancing show, but close enough.

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TRAVEL: MEDITERRANEAN ISLANDS

Greek island luxury: Paul Betts finds a corner of Chios that is forever Genoese, while Neil MacLean gets the key to his own kingdom

A private world to rule for a week

H otels and villas may arrange some strange forms of transport to deliver their guests to the front door but the sight that greeted me as I stepped ashore on Argirionissos took the biscuit. It was a small green tractor, German apparently, although this was no Mercedes-Benz, towing a rickety trailer on which someone had thought to weld two rows of bright yellow seats. As it transpired, I would have been quicker walking up the steep and dusty track; but then it would not do for the lord and master (albeit temporarily) of Argirionissos to arrive under his own steam. Argirionissos is the only private Greek island which can be rented. You will find it close to the mainland, anchored in the Gulf of Orei below the mountains of Sterea Ellada, a gentle half-hour's sail from the island of Evia, a 15-mile shape of humps and shallow valleys like a dozing sea serpent settling into the water, with a small white lighthouse balanced on the tip of its nose.

The place was originally called Denacallon and there is a convoluted myth about that demi-god, son of Prometheus and his wife Pyrrha, building a boat there, to escape the deluge Zeus unleashed after Prometheus shared the secret of fire with the mortals. Personally, I prefer a more recent legend. Spiro Christie, a Greek businessman who made his fortune in southern Africa, sent his wife Dorothy home to find a little place by the sea

where they could grow tomatoes in their twilight years.

This was the 1960s, however, when Aristotele Onassis and Stavros Niarchos excited the envy of the world with the purchase of their islands.

The wife, keen to keep up with the Onassises, heard the 60-acre island was up for sale and promptly bought it, a shopping spree which so shocked her husband that divorce ensued and the island ended up in the hands of their children.

Greek islands are not cheap

Argirionissos is the only private Greek island that can be rented

to run so Argirionissos is available to rent on a weekly basis. If you can rustle up a few friends, then £1,655 per person (in June) will buy flights to nearby Skiathos, launch transfers, exclusive use of the island, its five staff, all your food, a good deal of drink, assorted watersports and the at-your-back-and-call use of the island's 36ft leak-hull ketch, *Nango*, complete with crew. If you really want to splash out, a 40-minute helicopter transfer (one-way) from Athens airport would set you back another £413,000 (about £1,140).

The accommodation is in the main house and in a lower, more recently-built villa, both of which have stunning views across the gulf.

It is basic but comfortable by Greek island standards; there are plugs in the washbasins and the toilets actually flush all known toilet paper. Meals are usually taken on a stony terrace under a fat pine and a spreading plane tree while dolphins perform aquanautics in the bay below. There are five staff - two Dutch, one New Zealander, a Swede and a Canary Islander - young, serious, but enthusiastic. If the team's make-up seems to lack a certain Greek flavour, Ton,

the Dutch chef, compensates for that by researching and producing food which seems more authentically Greek than most Greek island holiday taverna fare.

Sitting on the candlelit terrace at night, the sound of the cicadas punctuating the rhythms of bouzouki music, while you eat, say, saganaki, fried cheese with fresh beetroot, followed by spetsiada, a speciality from nearby Pelion of sausages casserole with thick green peppers, it all manages to feel sufficiently Greek - despite the fact the food actually arrives hot and promptly and nobody is pestering you to buy a long-stemmed rose.

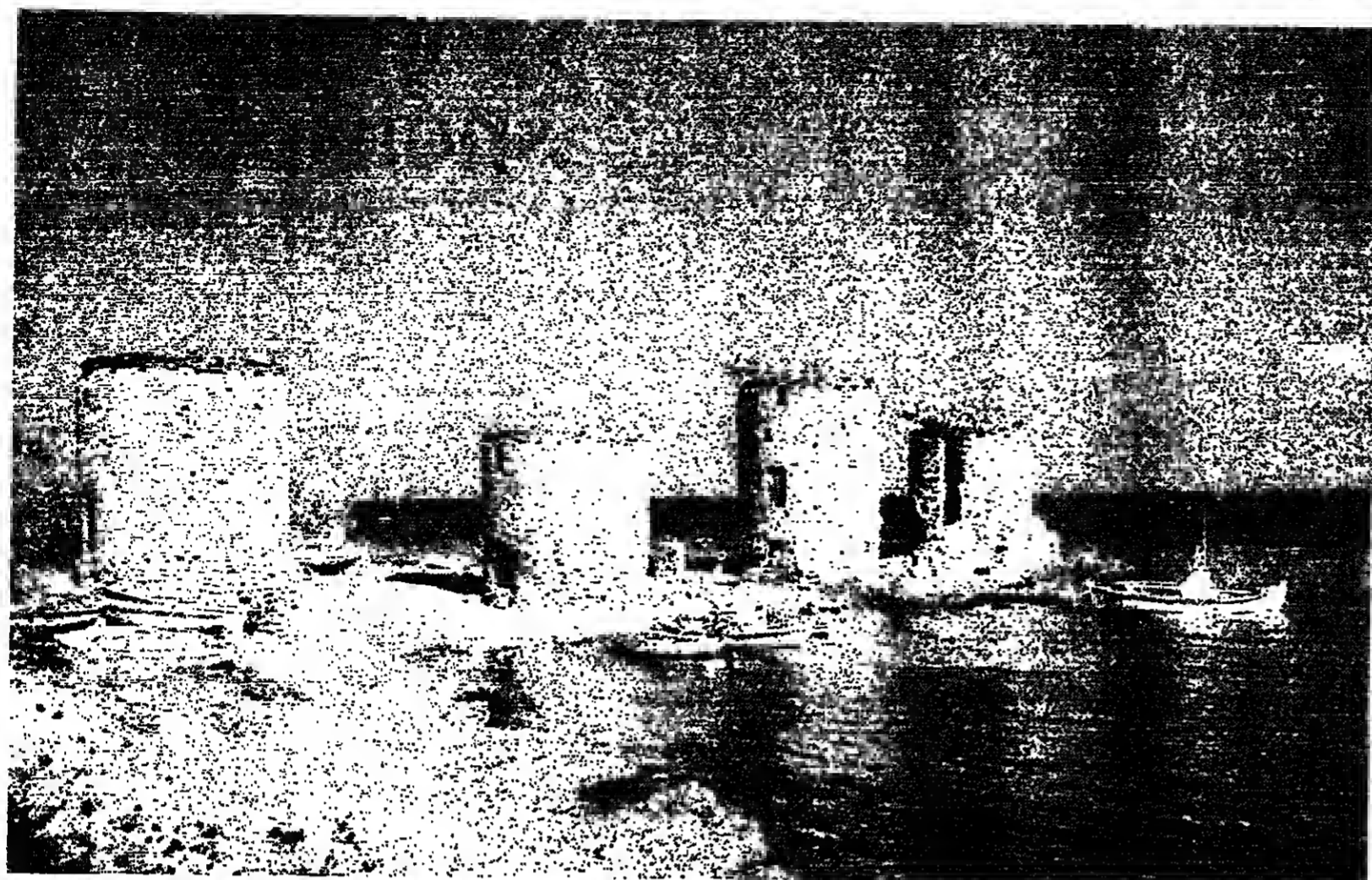
I feared boredom, stranded on a little island, but the truth is there are not enough hours in the day to appreciate Argirionissos.

Nango is the key and Kevin, the New Zealander, sails her like a second skin, offering day trips to the island of Palio Trikeri and its hilltop monastery, to Pigadi in the Gulf of Volos, to the tavernas of Agia Kyriaki on the Pelion peninsula or to relax on the long white beach at Ardimeriotis.

And when you are ready to go, the boat flies you home, chased by *melitens*, the afternoon tradewind. After all that, if you tire of the snorkelling, windsurfing or waterskiing, the books or the games in the library, it is enough just to wander the dusty paths between the olive groves and the cypresses, to pick your way through the miniature flower-filled valleys, to climb each of the little hills, to look out across your own private island with a smug proprietorial air, as wealthy, if not quite as wise, as an Aristotele.

Prices for Argirionissos, which include return flights to Skiathos and speedboat launch to the island, full board including wine, beer and soft drinks, day sails on *Nango*, windsurfing and dinghy sailing, range from £1,655 per person for seven nights in June to £2,575 per person for seven nights in August. Flights and transfers can also be arranged through Athens, contact Greek Islands Club (tel: 01932 220477).

N.M.



Surviving earthquakes and invasions, Chios has remained relatively untouristed because most of its attractions are hidden away

Enchanted garden hidden among the citrus groves

When one of the nephews of Marchese Lorenzo Argenti came to visit the marchese's lovely estate on the Greek island of Chios, he was charmed by the carefully restored medieval Genoese buildings surrounded by a secret garden of citrus trees, rosemary hedges, plumage, cascading geraniums, honey-suckle and roses. "This is a very beautiful, totally impractical place and please don't leave it to me," he said.

"Typical of a graduate from Brown University," said Argenti, whose Italian ancestors came to Chios during the 20-year Genoese occupation of the island between 1546 and 1566.

The 52-year-old marchese, a bachelor with the cosmopolitan exuberance, polish and old world civility of an Italo-Greek aristocrat with strong Levantine roots who survived a stint at Stowe, took over the property after his father's death in 1974.

"For many years I did nothing with it just kept it up. But it became so expensive that I was faced with two simple solutions: get rid of it or keep it by trying to make it pay for itself," he said, sitting under a large lime tree in his villa's paved courtyard.

And so he decided to follow the example of other grand old European families struggling to maintain their estates by taking in paying guests. "My idea was never to turn this place into a conventional hotel but to have house guests enjoying *la vie de château*," he explained.

Staying at Villa Argenti is an enchanting, if at times eccentric, experience. The marchese or his kinsman, Francesco Impariali d'Alfio, a lively and affable Neapolitan distant cousin in his early 20s who drives a white Alfa Romeo Spider, picks up guests at the island's tiny airport.

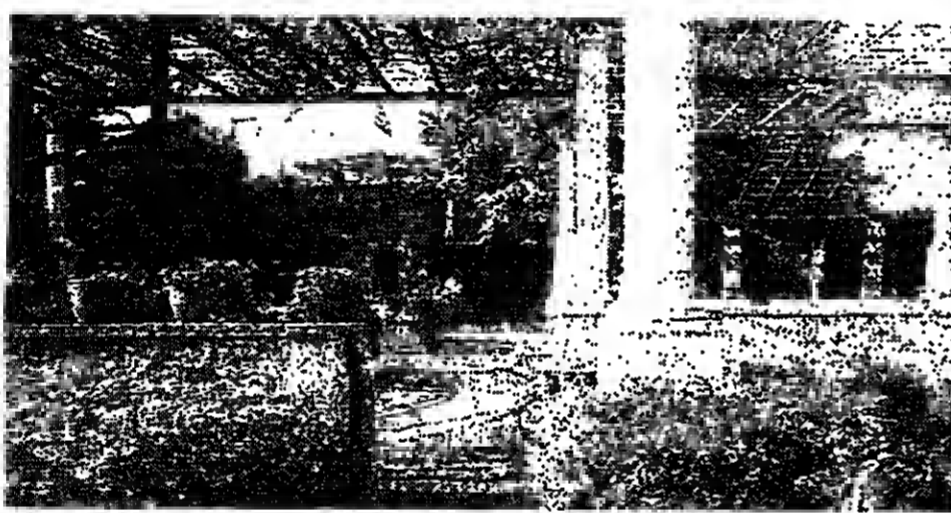
The short drive to the estate takes you through the town of Chios, an incongruous urban mix of crumbling buildings and modern houses. The road then narrows and weaves through large stone walls hiding endless citrus groves. Suddenly you leave Greece behind and enter a little corner of Italy. The Genoese influence is still everywhere and nowhere so strong as at Villa Argenti.

The marchese, who is also the Italian consul on the island, flies the Italian flag on top of the main house, the Villa Genoa.

There are several other houses scattered among the citrus trees. In the old days, members of the Argenti family would gather here for the summer, each in their own villa.

Pushing a trolley with my bags and shouting 'rickshaw, rickshaw', the marchese took me to my room at the other end of the labyrinthine garden. It turned out to be a large suite in a small whitewashed villa. There was a bedroom, a marble bathroom, a pantry and a sitting room full of old family furniture and objects. But no telephone or TV.

There was a photograph of



Centuries of Genoa in Greece: the Italian flag still flies over the Villa Argenti

the marchese shaking hands with the former Italian president, Francesco Cossiga. And another signed photograph of King George of Greece. "My grandfather," said Argenti.

In another room there was a picture of Arlati in a silver frame. "Another grandfather?" I asked. "No, no," he replied. "I met him when I was a correspondent based in Beirut for the Italian daily *Il Tempo*."

The estate like the island of Chios, has had a long and turbulent history. My first night was also turbulent. As I was

Shouting 'rickshaw, rickshaw', the marchese took me to my room

falling asleep, I heard cries of help coming across the orange trees. The cries got louder and louder and set all the neighborhood dogs barking, the donkeys braying and the peacocks screaming.

A journalist from the Jewish Chronicle had locked himself in his marble loo in a villa in another remote part of the garden. The marchese and his kinsman came rushing through the grove with a huge toolbox. The marchese had been sipping a nightcap by the estate's ornamental marble fountain (built with the same marble used for the Acropolis in Athens) when he heard the screams.

"Murder at the villa: I immediately thought of Agatha Christie," he said. It was more like Fawcett Towers. For a good two hours, the warm night was filled with a monstrous racket of banging accompanied by the chorus of barking dogs, screaming peacocks and braying donkeys as the marchese and his kinsman hacked down the loo's ancient wooden door.

The estate has experienced worse moments. The Genoese were caught up in the Turkish massacres of 1822. In the garden are two handsome statues of the marchese's ancestors killed at the time. "Most Genoese families subsequently left the island. Today, apart from me, only two others have kept their villas. In all, there are now only 10 Italian permanent

residents on the island," he explained.

But if the 1822 massacres were not enough, Chios was devastated by an earthquake in 1881, which killed thousands and inflicted extensive damage on Villa Argenti. It was the marchese's father, Philip Argenti, a Greek diplomat, who set about restoring the property over a 40-year period, following the original Genoese plans.

The garden was also lovingly restored. The family's old Greek gardener, who is still looking after the citrus groves and the formal garden, was sent to Ventimiglia and Nice to learn how to lay out and look after a traditional Genoese or Ligurian garden. The result has been spectacular: a little garden of Eden in the most unexpected place.

For Chios has never been one of the most popular destinations on the Greek island

teaching his pupils.

The marchese encourages his guests to explore the island during the day. "We don't serve lunch here, just breakfast and dinner," he explained. But dinner is a big event at Villa Argenti. Guests meet for cocktails hosted by the marchese and then dine by candlelight while a piano tinkles away in the background.

Until last year, the food was prepared by the marchese's old family cook. But she is now 70 and broke her arm last year. "It was clearly too much for her so we now have a Greek who during the day teaches cooking at Chios," he said.

The marchese also personally trains his part-time waiters (one is an accountant, another an electrical engineer, the third a pastry cook during the day) to serve food as if they had just come out of a top Swiss hotel and restaurant school. His very first guests when he opened his house in 1967 were, after all, the former US president Jimmy Carter and his wife Rosalind. His second guest was the former Queen of Italy, Maria-Jose di Savoia.

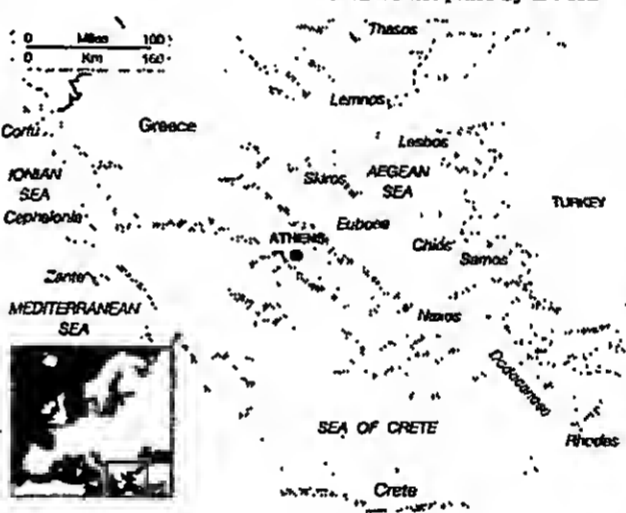
The food has some Greek touches, but it is essentially the sort of meal you would expect to eat at a good Italian house party: Greek hors d'oeuvres, followed by pasta whose *cottura* is tested by the Neapolitan kinsman, then a Boeuf Wellington, and a light pudding, all washed down with bottles from an extensive list of Greek and Italian wines.

The marchese wants everything to be perfect. To such a point that almost everything - from soap powder to chocolates - comes from Italy.

With only five suites and one deluxe bedroom, Villa Argenti is too small to be a commercial business. "That was never the idea. I felt I had to continue my father's work of restoring the property and keeping it," said the marchese. "It would be such a pity to let it all slip away."

Holidays at Villa Argenti, including scheduled return flights from Heathrow to Athens and flights to Chios, private suite and daily breakfast, range from £615 per person for three nights in June to £1,330 per person for seven nights in August, through Greek Islands Club, tel: 01932 220477.

P.B.



Our voyage of over 2,500 miles begins close to the Equator and Peru border. It is an unusual opportunity to see an unequalled variety of marine creatures, wildlife and bird-life. We will use our versatile Zodiacs to land on uninhabited islands where seals, penguins and seabirds thrive in the nutrient-rich waters. Chile's Isla Fern de Azuero and Peru's Isla Hornos de Alvarado have rarely been visited by man, and the animals have no fear, allowing us to observe them at close quarters.

Forays into the mainland interiors will include: the opportunity to view the Nazca Lines in Southern Peru, the magnificent Lomas National Park on the Chilean/Peruvian border where we should see vicuñas, alpacas, vicuñas, condors and guanaco; and Chilo Island, a spectacularly green and beautiful island.

VOYAGE OF THE CONDOR

AN EXPEDITION VOYAGE ABOARD THE WORLD DISCOVERER ALONG THE WESTERN COAST OF SOUTH AMERICA 19 October-10 November 1995

THE ITINERARY

- DAY 1 Fly London (Heathrow) - Quito via Madrid.
- DAY 2 Quito. Arrive and stay overnight.
- DAY 3 Quito - Guayaquil. Morning free in Quito. Afternoon flight to Guayaquil and embark 'World Discoverer'. Sail in the early hours.
- DAY 4 At sea.
- DAY 5 Lobos de Tierra-Lobos de Afuera. Explore these magical islands, a haven for birds - see the beautiful Incan tern.
- DAY 6 Salaverry-Trujillo. Drive to Andean foothills for a visit to the historic city of Trujillo and the nearby ruins of the Imperial Chimu city of Chan Chan.
- DAY 7 Isla Hornos de Alvarado. A mini Galapagos - nesting thousands of Peruvian boobies, large numbers of seals and seals.
- DAY 8 Paracas (Nazca Lines). Visit the Paracas Reserve where the history of the Paracas tribe is brought to life, or explore the Isla Ballestas by Zodiac, or take an optional excursion by air to the famous Nazca Lines.
- DAY 9 At sea.
- DAY 10 At sea.
- DAY 11 Arica-Lauca National Park. Explore the city and surrounding countryside including the famous ruins of the Copacabana Reserve. Alternatively take an optional long day excursion to Lauca National Park, located high in the Andes.
- DAY 12 Iquique. Explore the town by foot. There is also an opportunity to join an optional overnight excursion in Calama in the Valley of the Moon - an extraordinary landscape of dry river beds, eroded salt mountains and bizarrely shaped geological formations.
- DAY 13 Antofagasta. See the harbour with its brightly painted fishing boats and the fish market.
- DAY 14 Isla Fern de Azuero. This protected reserve is home to the largest breeding colony of Humboldt penguins in Chile.
- DAY 15 Isla Pajaros. Explore the indented shoreline by Zodiac, a spectacular area of penguins and southern sea lions and sea birds and coves.
- DAY 16 At sea.
- DAY 17 Isla Santa Maria. Visit the Parque Lito and the remote island of Santa Maria.



DAY 18 Isla Mocha. A one-time stronghold of English and Dutch buccanniers and pirates. Here the scenery is enchanting - southern beech, fuchsia and large araucarian trees.

DAY 19 Chilo Island. Entering the beautiful Chiloan Fjord area we will visit the art-nouveau village of Dalcahue and the city of Castro with its famous brightly painted churches and houses.

DAY 20 Puerto Montt. Here in the beautiful fjord country, we will disembark and visit the beautiful Bañadero Flamingo town. After lunch we will fly to Santiago for a night stay at the Sheraton Hotel or similar.

DAY 21 Santiago. Morning city tour including the Museum of Pre-Columbian Art and Club Hippico.

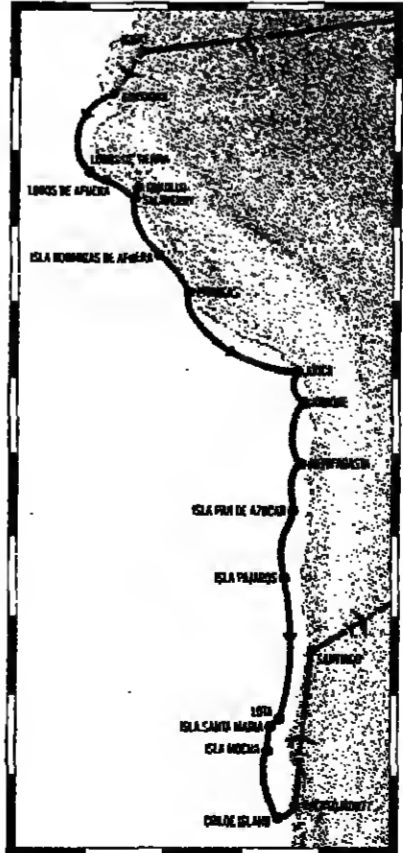
DAY 22 Santiago-London via Madrid.

DAY 23 London (Heathrow). Arrive in the afternoon.

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SPORT

Rugby's world cup reaches the quarter-final stage this weekend. FT writers preview the action, assessing each team's strengths and weaknesses

Western Samoa face a daunting task against South Africa this afternoon at Ellis Park, Johannesburg, 5,750ft above sea level. The Pacific islanders lost 60-3 to the Springboks there in April and now face them again in a world cup quarter-final.

Things have gone well for the home team since Tuesday, when South Africa's front pages were covered with pictures of a disconsolate Pieter Hendriks after he was thrown out of the competition for kicking Canada's Gareth Rees. Behind Hendriks stood Morné du Plessis, the Springbok manager, wearing a grin. And while du Plessis is accomplished at putting on a brave face for the press, it was difficult to avoid the suspicion that he was not too unhappy about Hendriks' departure.

Under world cup rules, countries can replace suspended players. Thus, South Africa promptly called up the man who Hendriks replaced at wing three-quarter because of injury just before the tournament: Chester Williams.

Hendriks is a good wing - but Williams is better. The Springboks will be glad to have him back. So will the South African Rugby Football union and their sponsors.

Great wings are stars, and Williams is a great wing. Much more to the point, he is coloured - which means he serves as a potent symbol of the new South Africa and the new SARFU (motto: one team, one country) in the face of domestic and international opposition.

Black and coloured children flock around when white South African players such as James Small visit their clubs to coach or watch. But one visiting Australian coach, working in the townships of Port Elizabeth, said he found some identifying more with two Wallabies - George Gregan, born in Lusaka, Zambia, and Ilie Tabua, a Fijian. Both are dark-skinned.

Thus, Williams has timed his run well. For South Africa, the money war is over. Canada and Romania have been beaten in the pool matches and he rejoins the Springbok camp just as the real business of the world cup begins.

Even so, South Africa's Ritch Christie is the only quarter-final coach who might be tempted to rest some of his first-choice players. All the wounded from last Sunday's battle with Canada are recovered, but the carnage in Samoa's game with England could encourage caution. Indeed, Samoa's robust play has taken its toll on their own squad and left them without two of their best players, Junior Paramore and Darren Kelleher, their top goal-kicker.

South Africa's glaring weakness has been in the lineout, where they won almost no ball against Australia. Afterwards, Christie blamed hooker James Dalton - one of the players sent off in the Canada brawl - for throwing in the ball consistently too high.

Christie said he could understand why the Australians had sent Dalton, with his powerful play in the loose, would make an ideal rugby



You can never write off the All Blacks, but... New Zealand training in Pretoria before their match with Scotland tomorrow

Springboks go for KO

league player. In that code, as Christie pointed out, there are no lineouts. In any case, Dalton is banned from the rest of the world cup. The Samoans, who snuffed out England's giant Richard West in the lineout, will reveal whether South Africa's problems in this department continue. Against Romania and Canada, their only consistent source of lineout ball was the huge, pear-shaped reserve lock, Kobus Wiese.

Wiese rises slowly off the ground. Eventually, he reaches a height that suggests he could have been a useful high jumper. Then, he sticks his legs out and waits for the ball, like a man sitting in an armchair. As the Canada game went along, referee David McHugh eventually became bored with watching Wiese defy the laws of gravity and started to penalise South Africa for lifting.

Of course, it might not matter if Wiese keeps his feet on the ground. South Africa still beat Australia without much lineout ball and the qualifying rounds contained several matches - Canada against Romania, Samoa and Italy versus Argentina - in which teams out-gunned in the set pieces still won by running whatever possession they had.

Countdown to the final

QUARTER-FINALS - Today			
1	France	v	Ireland
2	South Africa	v	Western Samoa
QUARTER-FINALS - Tomorrow			
3	England	v	Australia
4	New Zealand	v	Scotland
SEMI-FINALS - Saturday June 17			
1	Winner quarter-final 1	v	Winner quarter-final 2
2	Winner quarter-final 3	v	Winner quarter-final 4
SEMI-FINALS - Sunday June 18			
1	Winner quarter-final 1	v	Winner quarter-final 2
2	Winner quarter-final 3	v	Winner quarter-final 4
THIRD PLACE PLAY OFF - Thursday June 22, Pretoria			
THE FINAL - Saturday June 24, Johannesburg			

Among all this running and ball-handling, two teams whose backs struggled to pick up the plot were England and Australia, two of the pre-tournament favourites who clash tomorrow in Cape Town. Both have shown brief flashes of form but hit their stride only in the second halves of their last qualifying games when neither had anything like their first XV on the field.

For long periods against Canada and Romania, the Australians seemed intent on practising their goal-line defence. In this area, at least, they look stronger than England who, in all three games, built winning leads but allowed opponents to narrow the gap with soft tries.

Michael Lynagh, the Australian captain, likes to point out that Australia also started poorly in 1991, when they won the world cup. The team is packed with canny veterans who have been there before and know how to raise their game.

Yet, there comes a point for every veteran when knowing how to raise their game is no longer enough. On the one occasion when Australia have been in trouble - a losing opener against South Africa - their fightback was too late and feeble.

But England have selection quandaries in almost every area, providing coach Jack Rowell with problems that reflect the unconvincing form of many first-choice players. The one certainty is that they need a fit Dean Richards. In his one game, against Samoa, the No.8 proved yet again that he is both the heart and the head of the team.

Perhaps this match will be decided by dazzling back play and spectacular feats from England's reinvigorated wing, Rory Underwood, or his Australian counterpart, the (so far) lacklustre David Campese. But if those inside them continue to splutter, the match could settle into a bludgeoning battle between two huge back rows, with the outcome decided by the most accurate kicker.

Peter Berlin

Spotting the spoilsports

Wales may once again have been the first British team on the flight home, but there is every chance that they will be the only ones not to have to pre-qualify for the 1999 competition.

Last time round, their failure forced them into the qualifiers. Next time, they are the hosts and exempt; while the decision that only the top three from this competition will join them automatically gives still further significance to this weekend's quarter-finals. Less today or tomorrow and your next world cup match might be in Madrid or Sofia.

Scotland's fear is that the early Welsh exit might not be this competition's only repetition of history. Their campaign is looking alarmingly like that of 1987. Then, too, a narrow failure to beat France - drawing 20-20 in a stunning match that proved the great John Rutherford's final international - precipitated them into the steamroller path of New Zealand.

The All Blacks were then down with remorseless pressure, captured graphically by Scotland captain Colin Deans' post-match comment: "We tackled and tackled and tackled, until we couldn't tackle any more. And still they kept on coming at us." Much the most impressive of the 1987 British entry, they were still the first to go out of the competition, losing 30-3.

This New Zealand side possibly lacks the frightening power of those first world cup winners. Pre-competition analysis, based on unconvincing recent performances, was: "You can never write off the All Blacks, but..."

Discussion of England's prospects focused on the quarter-final as the key, with the implication that a likely semi-final against New Zealand would be extremely winnable. It still might be, but perceptions of the All Blacks have changed sharply. They go into tomorrow's clash at Pretoria as favourites not merely to beat Scotland but to go on and take the trophy. The manner of their 145-17 demolition of Japan shows that New Zealand's habitual remorselessness lives on.

But this is a rather different side to the 1987 combination of awesomely powerful forwards and Kirwan and Gallagher apart, utilitarian backs. Nothing much wrong with the 1985 pack, but the real worry for opponents is a back division of such firepower that the vividly gifted Marc Ellis - he of the flash perm and the six tries against Japan - is not guaranteed a place.

History is also against Scotland. They have not beaten New Zealand in 17 meetings over 90 years. Their chances of breaking that run will depend heavily on their forwards and in particular on their tough and competitive back row. If they

can deny New Zealand continuity - a big if, given that the All Blacks still managed five tries against Ireland - there is just a chance that this will not be the final match of Gavin Hastings' imposing international career. But while betting against Scotland has been a mug's game in 1995, New Zealand still look likely winners.

History provides similarly clear pointers for today's France v Ireland clash in Durban. Ireland last beat France in 1989, and went out of the stage in 1987 and 1991. Neither side has convinced so far - France stuttered through their group matches and could easily have lost to Scotland, while Ireland's qualification owes much to the fact that the last decent Welsh performance in South Africa was Burke's Drift.

France's midfield looks oddly pedestrian, with Sella and Lacroix

Ireland will look to their back row, the decisive factor in their victory over Wales

providing little thrust in the centre. Their thin half-back resources were shown by the call for the tough but desperately limited Fabian Galtier to replace injured scrum-half Glyn Ceceberry. If they are to flow, an enormous amount depends on the back row and link man Laurent Cabannes, still to produce his brilliant best in more than flashes.

Ireland, too, will look to their back row, the decisive factor in their victory over Wales - and must capitalise on the perennial French weakness at the lineout. If Francis and Fulcher can win as much clean ball as they did against Wales, the Irish have a chance.

But they will need to show greater attacking imagination than they did against Wales, where not the least depressing aspect of a poor match was the sight of Simon Geoghegan and Iwan Evans - the best wings in British rugby - left unemployed as the two packs ground down the middle and the fly-halves peppered the touchlines.

Both sides are unpredictable, given to sharp swings of mood and form within and between matches. The superstitious might note that France are looking for a 13th consecutive win in the fixture. But the odds are that they will win the role of potential tournament spoilsports, as the semi-final obstacle in South Africa's route to the final.

Huw Richards

It seems strange to write of the Derby being on a Saturday. For generations, that mid-week disruption to London life, an unofficial Wednesday bank holiday provided by something as frivolous as horse racing, has been a rite of early summer.

Faced with mounting losses on the meeting - indeed, on the track's annual operations - and with a loss of its 11-year sponsorship by battery company EverReady, Epsom's new owners had little option but to go for a radical change when they took over last year.

The Derby might be the world's most famous horse race, but merely repeating that manna does not pay the bills. "The Derby had lost a bit of its glamour," concedes David Hillyard, managing director of Racecourse Holdings Trust, a Jockey Club subsidiary. "Our first priority is to put that right. It won't happen overnight but we think we're on track."

"Changing the day was crucial. A national event like the Derby can't keep that label unless it's run on a day when a majority of people have a chance either to go or watch it on television." Indeed, Channel 4 estimates that the switch to the weekend could double its audience from the Wednesday average of 4.5m.

The second part of the RHT strategy was to find a new sponsor that would promote the event hard to recoup the cost of the rights. It was no secret in racing that the EverReady sponsorship owed a good deal to the Hanson parent, controlled by racing-mad Lord Hanson and Sir Gordon White.

Vodafone has now put its name to the Derby, at a cost of £3.5m over a three-year contract.

Hillyard, however, realises that maximising the value of the Derby and Epsom is not simply a numbers game. He says there are similarities with Aintree, which RHT also runs, in that both are extremely expensive sites to operate, yet putting on more racing to spread the overheads would dilute, possibly fatally, the cachet of the main annual meetings.

An estimated 400,000 people, led by the Queen and other members of the royal family, converge on Epsom Downs by coach, car, bus, motorcycle and helicopter for the Derby.

The figures themselves are remarkable. Around the world the total television audience is in excess of 500m people. Off-course



Rounding Tattenham Corner in the 1994 Derby, which was won by Erhaab

The Derby / Keith Wheatley

Epsom turns the corner with a brand new day

betting totals around £33m and the winning connections will take home £500,000.

It is British racing's Blue Riband day. But that is all it is - just 24 hours of madness and nostalgic glory. Except for history, the Derby and its Epsom home has virtually everything against it.

For starters, the course is on public ground. Epsom Downs is crisscrossed with rights of way, used by walkers and cyclists. On Derby Day the policing costs alone are around £150,000. Traffic jams are appalling.

This year the meeting is three days rather than the traditional four, but by switching the event to Friday, Saturday and Sunday the

income goes up and the costs go down. When the sale of Epsom was going through, radical voices within racing said that a transfer to the large, powerful and traditionalist Racecourse Holdings Trust would prove to be a brake on the changes needed to increase audiences.

One possible purchaser who pulled out of the running after studying Lazard's prospectus could probably tell the Jockey Club why racecourse attendances are falling: David Sullivan, the publisher, has owned or had shares in more than 1,000 racehorses during 30 seasons in the sport and is still the UK's largest owner of brood mares.

"The whole racing industry gives everyone a bad deal, from the stable boys up to the owners," he said.

"I can say that because I've probably put more into the sport than the great and the good who draw salaries for doing not too much."

He added that if he had become Epsom's owner he would have bullied course officials to treat the public, from spectators through to owners, with a great deal more courtesy and to abandon their elitism.

"These people need to realise they are in the entertainment industry," Sullivan added.

Perhaps the Saturday Derby is evidence that his views, if not his style, are being applied.

Tennis / John Barrett

Europeans reap benefit of growing up on clay

Events of the past two weeks at the French Open confirm the long held view that the art of clay court tennis can only be learned the hard way - by constant match play.

Europeans have the advantage of growing up on the surface and it was no surprise that in both singles events, only two of the quarter-finalists at Roland Garros came from outside Europe. The interlopers were the Americans - Andre Agassi, Michael Chang and Chanda Rubin - plus Kimiko Date of Japan.

Agassi's loss to Yevgeny Kafelnikov was not altogether surprising, for the young Russian had beaten the present world No.1 last year on clay in Monte Carlo. Kafelnikov was playing well enough to beat a fully fit Agassi.

Like his compatriot Pete Sampras, the world No.2, who lost in the first round to Gilbert Schaller of Austria, Agassi had played too few recent matches on clay to be functioning instinctively. At this level it is impossible to succeed when you are thinking about technique as Agassi was with his footwork and Sampras with his groundstrokes.

Even the Europeans need to be of a special type to succeed on clay - quick, forceful but patient, and steady. The big servers who have proved their worth on fast courts, men such as Boris Becker and Michael Stich of Germany, Goran Ivanisevic of Croatia and the Swede Magnus Larsson, too easily become frustrated and attack too soon.

Of the four, Larsson came closest to success. He can rally with the best of them, as he had shown in beating Agassi and Sampras to win the Compaq Grand Slam Cup. He also has a huge serve, a powerful forehand and moves well for a big man, attributes which took him to the semi-finals here in 1994.

His defeat in four sets by the holder Sergi Bruguera in the fourth round contained an element of controversy: Bruguera was allowed to get away with a five-minute protest over a line decision.

Becker, whose 43 singles titles contain none on clay, was another who was lucky not to be penalised. He behaved badly when losing in the third round to Adrian Panatta, a qualifier from Romania. The match was delayed overnight by rain when Voinea had won the first two sets and an angry Becker had claimed that conditions were not fit for play - even though other matches were still on court.

On the morrow, Becker won the third set but lost a hotly disputed fourth set 7-5. Voinea was not impressed. "Before the match I had

contained some clever tennis."

The 20-year-old Romanian is an example to any aspiring young player. Aged 15 he left Romania for Turin to join his older brother and a friend who had gone on ahead. They moved around and eventually met Alberto Costantini in Perugia. The coach took them under his wing and an elderly well-wisher helped them financially.

After learning his trade on the Challenger and Satellite circuits, Voinea embarked on the hard grind of qualifying tournaments on the main Tour. The fact that he has successfully qualified at nine of 10 events entered speaks volumes for his competitiveness.

I wish I could say as much for world No.4, Ivanisevic. His spineless first round loss to Michael Rasmussen of Sweden, a qualifier ranked 141 in the world, was ironic. Five years ago Ivanisevic upset No.2 seed Becker in the first round. The conclusion? Neither has learnt much about clay court play in the meantime.

Rubin took her chance by winning the most extraordinary match I have ever seen at Roland Garros. When Jana Novotna led 6-7 6-4 5-0 and had Rubin 0-40 on her serve the match was as good as over. Except that no match involving the 20-year-old Czech is ever over until they wind down the net.

Date, seeded No.9, deserves her success. The Japanese No.1 has always been on the threshold of a breakthrough. With her convincing wins over Lindsay Davenport (7) and Iva Majoli (12), who had eliminated last year's finalist, Mary Pierce (3), she has made one at last.

In today's final, Steffi Graf, vying for a fourth title from her seventh final in Paris, will play the top seed Arantxa Sanchez Vicario, the Spaniard who displaced her as the world No.1. If history is any guide, Graf should win, for she has a 24-6 career advantage against Sanchez Vicario. Against that, the official favourite has won three of their last four meetings.

'He wanted to intimidate me. He was saying something in German I didn't understand...'

Golf / Derek Law

A US Open to remember

In the history of the US Open, there have been many memorable moments. But few have been as dramatic as the one that unfolded at Pebble Beach last week.

The tournament, which has been held at Pebble Beach since 1980, was won by Greg Norman, who defeated defending champion Corey Pae in a thrilling final.

Norman's victory was a surprise, as he had never won a major before. He had, however, established himself as one of the world's top players in recent years.

The tournament was held at Pebble Beach, a renowned golf course in California. The course is known for its challenging layout and beautiful scenery.

The final round of the tournament was held on Sunday. Norman started the day with a strong lead, but he was challenged by Pae in the afternoon.

Pae, who had won the tournament in 1990, was a formidable opponent. He had a strong record in the US Open, having finished in the top 10 in five of the last six years.

Norman, on the other hand, was a relative unknown. He had never won a major before, and his victory over Pae was a historic moment in the history of the US Open.

The tournament was a success for all involved. The spectators enjoyed the high-quality golf, and the players had a memorable experience.

SPORT

Cricket/Teresa McLean

The problem of abundance

Sports personalities, star quality players - call them what you will - the fact remains that they are here today and gone tomorrow. It all happens at high speed, not just at the declining end, where one expects bright stars to fade quickly, but also at the start of their famous careers.

Brian Lara burst on to the scene in England with his 501 not out for Warwickshire last season. Warwickshire had signed him as their overseas player because he was already a hero in the West Indies. His 375 in the last Test of England's 1993/4 tour of the West Indies was the most anyone has ever scored in a Test match.

There would be little point in listing Lara's great achievements. There is more point in looking at the West Indies as a whole this summer because they have a wide range of powerful, potentially problematic players who need to be carefully managed.

Captain Richie Richardson is a man of few words, who with stands public pressure by keeping quiet when he has nothing to say. He refused to be drawn into complaints about umpire Harold "Diddle" Bird's unfortunate not out decision early in Neil Fairbrother's valuable innings during The Oval Test.

This was greatly to Richardson's credit, not just because it upheld the principle of accepting umpire's decisions, but also because it strengthens Richardson's position as a captain above controversy.

He has a lot to hold together under his control and the presence of the experienced and respected Courtney Walsh, captain while Richardson was too exhausted to play, now vice-captain and adviser, might sometimes be overpowering as well as useful.

The grand old men of West Indies management are Wes Hall (manager) and Andy Roberts (coach), both former players, both strong presences. "West's word is law" was told in reverent tones by one of the tour's Caribbean sponsors.

Coach Andy Roberts struck me as something of an eminence grise. He told me with a slow, sure smile: "Cricket is played 40 per cent on the field of play; 60 per cent in the mind." He thinks England are under extra pressure in this series because they are playing at home. "The West Indies, like England, do better away from

home." While England have the appalling burden of past defeats, inconsistent players and poor management to put behind them, the West Indies have the burden of their recent defeat by Australia and the challenge of a less stable bowling attack than usual and some new, young talent to bring to its best.

The pace attack has a tempestuous brace of Benjamins and a trio with injury problems to nurse: Ian Bishop, Curtly Ambrose and Courtney Walsh, the last of whom left the field at The Oval in his sixth over suffering from "a niggle in the lower back". He intends to ensure his fitness for all the Test matches.

English county players have experience of all these bowlers, whereas young Rajnara Dhanraj's leg spin is a novelty. It was good to see Keith Arthurton and Carl Hooper spin bowling aggressively in the one-day games, never letting the batsmen settle.

Test matches are different from one-day matches, as the West Indies rejoice in reminding us. I cannot remember a really fine West Indian spin bowler in Test matches since Lance Gibbs and Gary Sobers 20 years ago and the Caribbean preference for pace is as strong as ever. As Hall told me: "We don't play spinners, darling. We are the West Indies."

Nevertheless, they take care of leg-spinner Dhanraj and leg-spin bowler and batsman Shivnarine Chanderpaul: both were kept away from interviews "because they are young and shy".

It will be interesting to see how well their spin can flourish this summer. Maybe bowling variety can be an enrichment, rather than a sign of weakness, as the West Indies and I am afraid, England nowadays tend to view it.

The tourists' fielding can be breathtakingly fast and accurate. Usually I think it is a mistake to get the West Indies worked up; their fast bowlers and flamboyant batsmen in particular often play better when they are angry.

But there might be problems of integration with this squad's assortment of new, young talent, temperamental talent, superstar talent and older, more experienced talent, still capable of incandescent play. The West Indies are discovering that abundance as well as poverty can give teams sensitive spots needing sensitive handling.

Golf/Derek Lawrenson

A US Open to remember

The US Open, the second oldest of golf's four major championships, reaches its centenary next week at Shinnecock Hills, New York. In 1896, the tournament was held at the same venue and won by James Foulis, with a 36-hole score of 152. Anyone shooting 153 after two rounds this time has no hope of making the halfway cut.

For all the progress, the tournament's essential aims have remained the same. While the US Open and the US Masters have forever been a celebration of all the game's arts, winners of the former have always been called upon to demonstrate more prosaic qualities.

Not for the organiser, the United States Golf Association, the thrill of an exquisite recovery shot from deep rough to set up an unlikely birdie. Miss the fairway at a US Open and the density of rough is such that the only option is to start again.

The shotmakers have long derided this policy, declaring the championship a 100-year war of attrition. The USGA's answer is simple: we want our champion to be the man who hits the most fairways and the most greens and holes one or two putts. Is that not what the game is supposed to be all about?

Well maybe, but it can also be exceedingly boring. I have attended the last 11 US Opens and the only way I can remember being at five of them is through looking back at old cuttings. One of the great golfing sights during my lifetime has been watching Severiano Ballesteros extricate himself from all sorts of trouble, but not at US Opens. There, the Spaniard's art is taken away from him.

One I do remember, though, was at Shinnecock Hills in 1986 and of all the courses on the

US Open rota this is the one that is the furthest removed from the stereotypes.

Indeed several of the holes are pure links golf and would not look out of place on the Kent coast around Royal St George's and Rye. Raymond Floyd was the winner with Lanny Wadkins second. Greg Norman had his chances to win and so did Payne Stewart - shotmakers all and we can expect such players to dominate this time.

Note, though, the lack of European names. There was a very good reason for this: most of them were not invited. Even Nick Faldo.

Thanks partly to the persistent efforts of the European Tour's executive director Ken Schofield, the USGA has woken up to the fact that golf is now a global game and that winners can come from everywhere. The defending champion, Ernie Els from South Africa, is ample proof of this, and he will be joined by, among others, the leading 15 players from last year's European Tour and a further sprinkling from around the world.

The Europeans, in particular, should feel at home. The course is situated on an exposed piece of land on Long Island where the temperatures are traditionally no higher than in Britain at this time of year and the wind is invariably blowing to some degree.

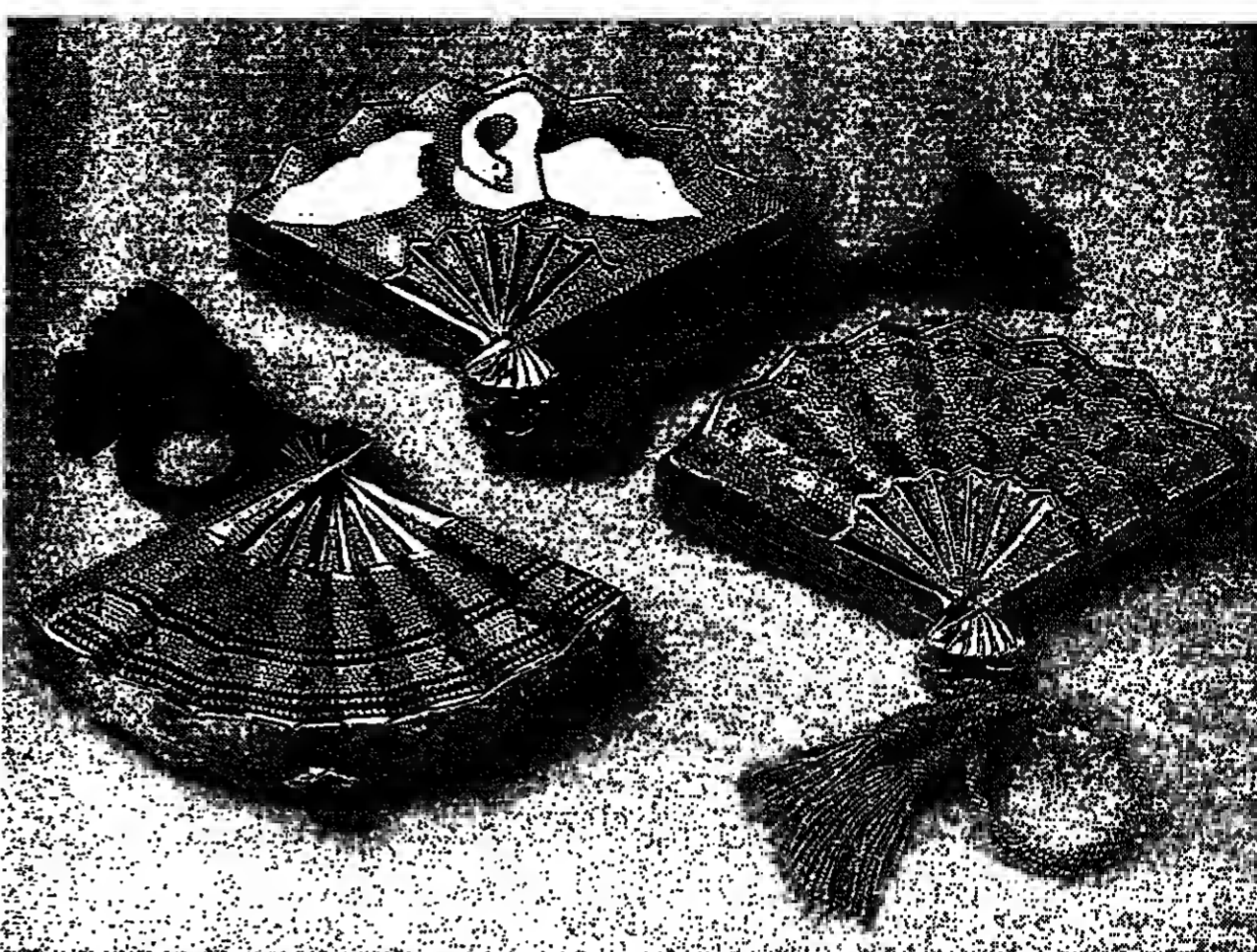
No wonder the feeling persists that if Faldo or Ballesteros or Bernhard Langer are to win a US Open then it will be at Shinnecock. Faldo in particular is so excited about his chances that he visited the course for three days this week.

The US Open, then, is set fair for a splendid centennial, a memorable tournament that we should all have no difficulty recollecting in years to come.

HOW TO SPEND IT



Most elegant: black satin evening bag with peacocks and rhinestones



Leiber at her most exquisite: fan-shaped minaudières

Adorning the arms of the affluent

The handbag may be an art-form, even when it holds only credit card and lipstick, writes Lucia van der Post



Judith Leiber

To those who regard a handbag simply as a practical receptacle for carrying the essentials of daily life, Judith Leiber's bags could come as a bewildering surprise. For Judith Leiber, the bag is an art-form and the fact that many of them are designed to hold little more than a credit card and a lipstick is entirely beside the point. "What's an escort for?" she is rumoured to have replied when asked how their owners were expected to carry a comb.

Far from being anonymous, utilitarian objects with a humble supporting role, Judith Leiber's handbags are stars in their own right. Her bags carry no logo, no designer's initials, no persistent bits of gold, yet, to their fans, they are instantly recognisable. They are to be found in museums and prominent fashion collections and last month could be seen at a retrospective exhibition of their own at the Fashion Institute of Technology in New York City. They can also be seen on the arms of some of America's most prominent women, as well as adorning anonymous fans who save for months to own one of her designs.

Nancy Reagan and Barbara Bush both commissioned special numbers for their inauguration ceremonies; Hillary Clinton owns one fashioned in the shape of the White House cat, Socks. Kim Basinger, Zsa Zsa Gabor, Jessica Lange and

Ivana Trump can also be counted as fans. Some of her customers become slightly manic collectors: one of them being rumoured to own more than 70. Others are said to devote rooms to their collections.

As yet, her profile in Britain remains low. On sale only in Harvey Nichols and Asprey, most of her British fans have seen them in one or other of America's swankier stores.

According to a new book about her work: "The women who own, and very often collect, Leiber bags are, for the most part, affluent. These women wear designer dresses and real jewellery, or costume jewellery so good and so expensive that it looks real. But a surprising number of Leiber owners are in less exalted financial brackets. They are mid-level career women who sacrifice other purchases to buy one bag, some because they can't resist a design, some because the bag adds an aura to their outfit, and some simply for status."

Once seen, a Leiber handbag is not forgotten. Many of her bags are inspired by Oriental works of art, by museum pieces, by antiques. Some are exquisitely beautiful - I recall an ebony box inspired by Japanese inro, a translucent smoky-coloured Lucite version with a gold-plated frame (now in The Metropolitan Museum of Art), and an austere black suede evening bag with a beautiful Lucite bar handle with rhinestone decorations. Others are more notable for their wit - the handbag shaped minaudières, a glitter with rhinestones, the Trompe l'œil parcels and Buddhas, fruit, and animals. Others seem to me so grossly vulgar as to quite take the breath away. All, it has to be said, are eye-catching. Some glitter like jewels at the shoulder or in the hand, and are all the little black dress requires to bring it to life. Others seem to shriek of vulgar Dallas-style excess.

Judith Leiber was born in Budapest. She turned from cosmetics to handbags, learning her craft in the Hungarian Guild, the year the second world war began. "Hitler," she says, "put me in the handbag business," for before that she

had been destined for cosmetics. Her business is, at one level, small - she sells only about 25,000 handbags a year. Since these sell at between \$300 and \$4,200 each, the business begins to look somewhat less small.

Judith Leiber provides five collections a year of about 100 different designs. Some are variations on popular themes (pandas, animals, fruit, others are completely new. The "jewelled" bags require about 7,000 and 13,000 rhinestones, all put

in by hand. A great deal of handwork is involved in all of them. The frames are said to be the best there are. Works of art they may be, but Judith Leiber's bags are meant to be used, to be cradled in the hand, to be swung over

the shoulder, or even, as Judith Leiber herself sometimes does, to be worn around the neck.

More than half a century ago, so Eud Nemy tells us in the book, the late Diana Vreeland, the legendary high priestess of fashion, "announced that 'we're going to eliminate all handbags'. At that time she had a shirt with inside, rather than outside, pockets, and carried in them lipstick, rouge, powder, comb, cigarettes and money. Therefore, she asked rhetorically, why in the world would she need a 'bloody old handbag'?"

Well, the fact is, modern metropolitan woman does not seem to care to wear a shirt with inside pockets every day. She seems to feel a handbag meets her needs and she likes to have several to cater for different moods and occasions. The handbag is unlikely to disappear just yet.

■ *The Artful Handbag: Judith Leiber with text by Eud Nemy and photographs by John Blylow Taylor* is published by Thames and Hudson, £25.

■ *Judith Leiber handbags* are to be found at Asprey of 165 New Bond Street, London W1 and Harvey Nichols of Knightsbridge, London SW1.

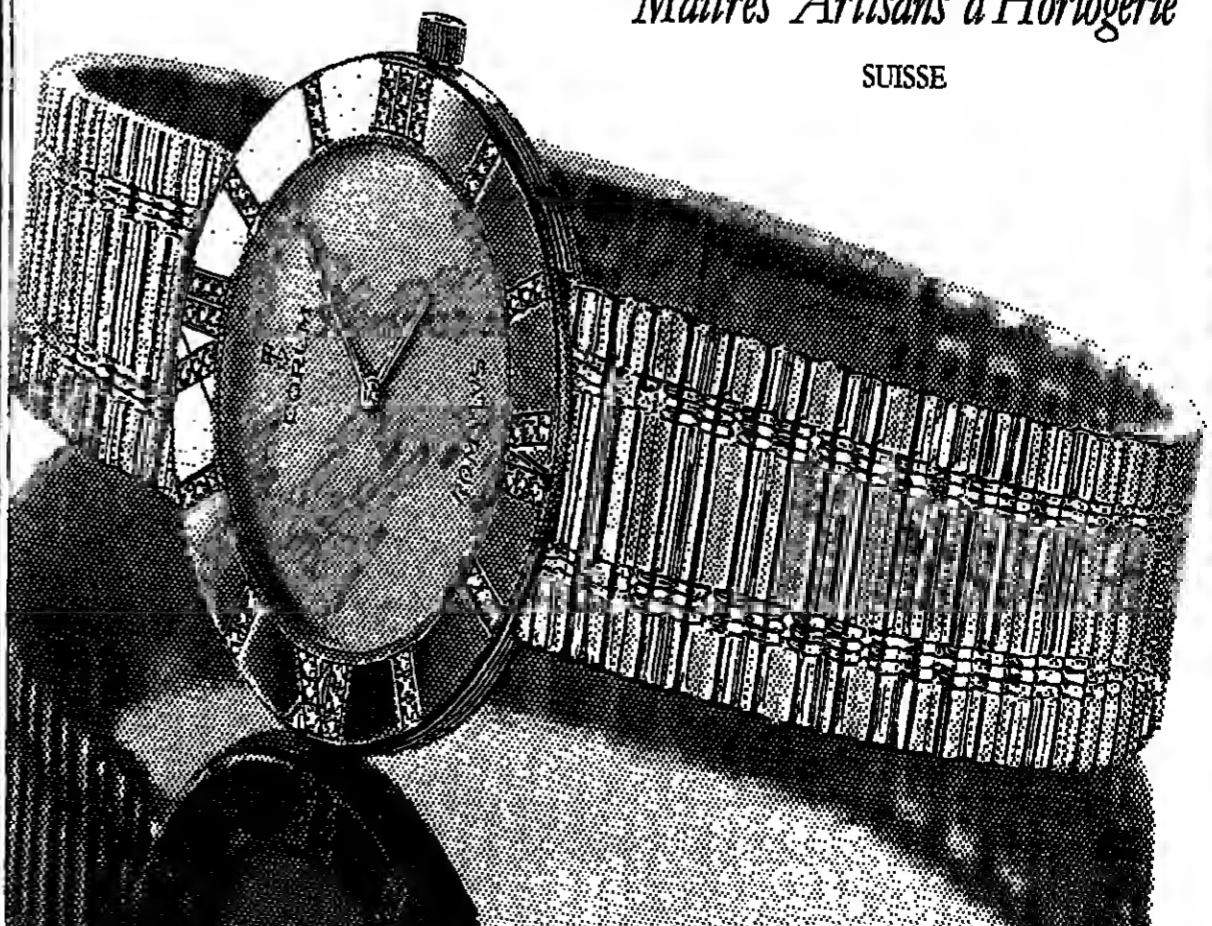
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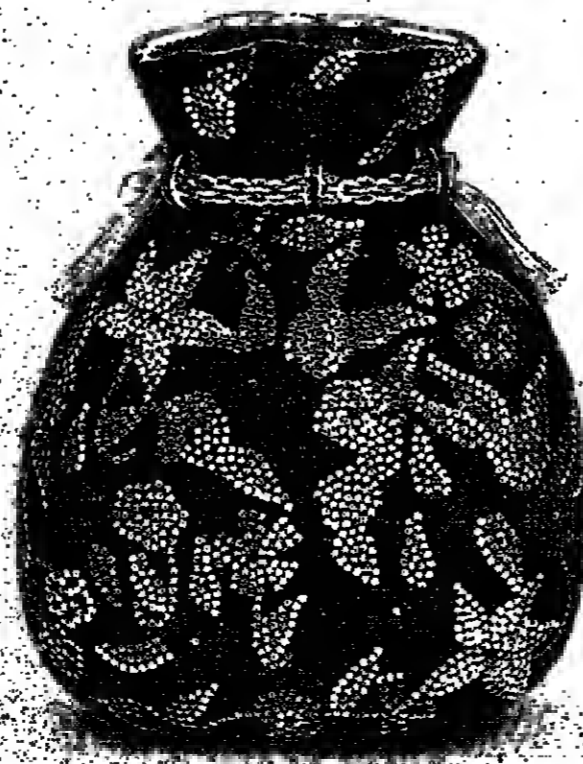
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Multi-coloured: miser's bag-shaped minaudières

GARDENING / MOTORING

Timing matters, even in the garden. Received wisdom tells us that this weekend is a hiatus, a catching of breath before the extravagance of high summer.

The "June Gap" is sent to test us, as if to alarm gardeners that nothing much will follow. Exceptional seasons have helped to confuse the old wisdom and, by now, some of you have climbing roses which are past their best. Those of us on difficult soils and situations know the experts' warnings. The roses are just beginning; the scurvy poppies are scandalously bright; the lilacs are fading, but the stage awaits the main act.

How does the June Gap look in a great garden? The need to weed limits my radius but between the showers I have returned to the great garden which can be so frustrating to visitors later in the year. Nobody will dispute the genius of the main design at Hidcote Manor, near Chipping Campden, Gloucestershire, the masterpiece of the late Lawrence Johnston. The problem lies in its enlargement, planting and transformation from the neatly clipped domain of its "quiet American" owner to a primary place of pilgrimage for the National Trust.

If you too have grumbled, try visiting it earlier on the edge of summer. Perhaps there is a gap in Hidcote's armoury, but it certainly does not fall on the border of May and June. The wisterias are still dripping from the roofs of the garden sheds and running high up the hedges where few of us try them. Britain's best mauve-violet Solanum Glasnevin is gutter-high with flowers by the main entrance. Even those hectares of busy ground cover look fresh, green and flowery on the banks of the lower garden's stream. In early June, you understand why Graham Thomas planted so much blue-flowered Brunnera, so untidy in late summer.

Elsewhere, peonies are just beginning, but at Hidcote the famous single pink Paonia arietina is looking incomparable. Single flowered yellow and white roses are arching all over the dry Mediterranean garden which is later such a maquis of dusty cistus. Southern gardeners with bolt holes should take note. I cannot imagine why the gardeners combined the deepest blue anchusa with a pale mauve geranium at the top of the gar-



Never mind the gap: Hidcote Manor blooms in June

Gardening / Robin Lane Fox

Wisdom bridges the June Gap

den's main vista beyond the double thickness of bonbeams on stems. But Lawrence Johnston's surrounding green architecture diverts attention.

What might we imitate for our own holes this weekend? I wish somebody would reintroduce the dusky pink weigela which is so good at Hidcote but apparently lost to the British trade. Called Conquete, it was probably a French creation, like most of the best things in British flower gardens, but it flowers profusely and earlier than most.

One of my mental snapshots is of Conquete in full flush, in front of a stupendous Ceanothus, brilliant blue and perhaps (though unlabelled) the marginally hardy Italian Skies. To the left, on its brick wall, stand the big rounded heads of Viburnum macrocephalum, like a white hydrangea before its time. To the right rises a big tree of the white flowered form of Abutilon vitifolium which has been so marvellous after a mild winter. Anyone with a sheltered town garden or mild aspect could see off the June Gap by imitating these spectacular shrubs, none of

which is slow.

They would find it harder to imitate the far side of the same wall, one of the best botanical views from a National Trust tea room. On a low stone wall, dozens of pale lilac Ramondas are flowering on the vertical slope which they prefer, accompanied by their easier relations, the Haberleas, neglected plants for shade.

They are easier than you would think: my dry soil houses a happy pink Ramonda, a peace offering from an FT reader four years ago. Beneath the Hidcote hedges, the double white flowers of Fair Maids of France seem to find the damp which they prefer. This fine wild plant, Ramunculus acanthifolius, ought to be tried more often where the ground is shaded and not too dry.

We are a lucky generation with great gardens of the 1920s and their great flowering trees, now mature wherever the gales have missed them. I could see many of us growing one of the dark-flowered Canadian lilacs, deep forms of Syringa prestoniae, which are such a good background for the borders of old-fashioned

roses. On acid soil, many of you would like the pink-white Rhododendron chartophyllum, which has plainly never heard of the June Gap.

The sight of the week is more challenging. Wondering where the gap had gone, I lit on a tall tree with hanging white flowers like the large lids on some special tea set. It is one of the Chinese Magnolias and I think it must be Wilsonii, named after the great plant-hunter from his nearby Gloucestershire home.

This tree does not hate lime, but it is happier on neutral, damp soil. If you plant one, and wait 10, maybe 15 years, your gardening will not seem pointless. Nothing can match this tree's sensory texture, the chunkiness of the smooth white petals with their purple centres and the silkiness of the surrounding leaves.

All of you would envy a skin like the leaves on Magnolia Wilsonii, improving with time. Plant one and compensate for ageing; bridge the June Gap, or, if you lack the soil and patience, watch for these Eastern trees in gardens grand enough to take the long view.

Motoring / Stuart Marshall

A child safety blindspot

Speed kills, we are told constantly. Of course it does. If it means driving faster than road conditions permit. Driving under the influence of drink or drugs, or in a car with dangerously worn tyres, or without dipped headlights in poor visibility are potential killers, too.

Last year, 69 child passengers were killed and 1,330 hurt badly in UK car accidents. Children under four are 10 times more likely to be killed if unrestrained, even in a crash as slow as 5mph (8kph). But 90 per cent of injuries could be avoided if child restraints were used correctly.

This massacre of the innocents seems set to continue until the law on child restraints is tightened up and

parents made aware of their responsibilities.

Car-makers have a part to play, too. I have fastened my grandchildren's safety seats into dozens of different vehicles. Sometimes, I have been appalled at the sheer awkwardness of passing the belt through the seat frame, pulling it really tight and clicking the metal tongue into a socket hidden partly or wholly by the child seat.

It would be so much easier if all cars were like the latest BMW 750Li: the sockets are in full view on the outside edge of the back seat. I have some sympathy with parents who have tried, and failed, to install safety seats properly - but none for those who risk their children's lives by letting them

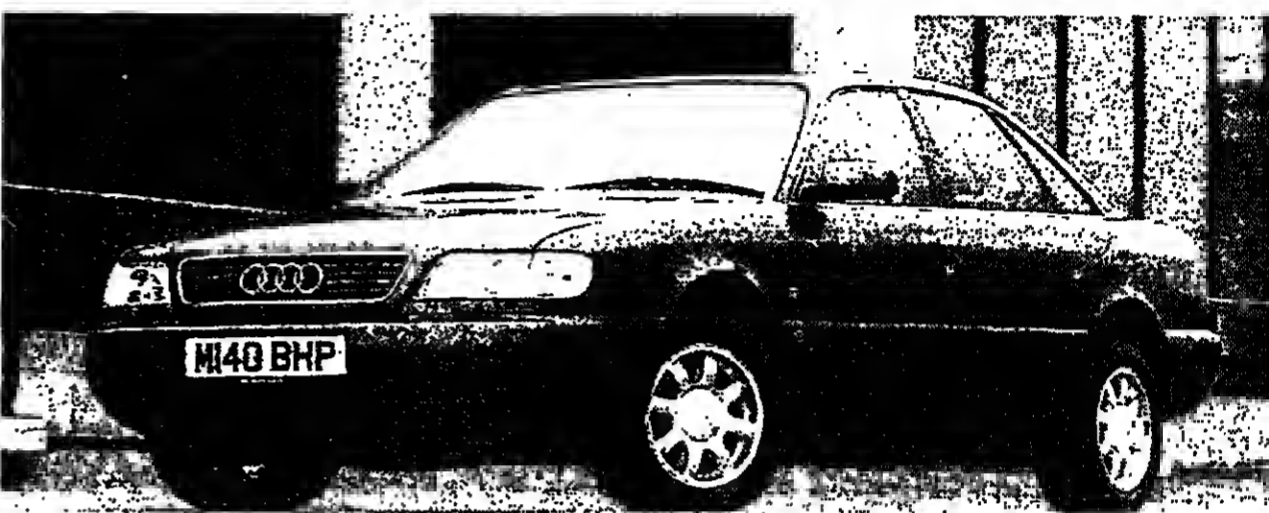
ride loose. On the irresponsibility scale, this surely rates almost as high as drink driving. If some of the official resolve to curb drink driving could be focused on making parents understand the need - and their legal responsibility - to restrain children properly in cars, lives would be saved.

Why not on-the-spot fines for drivers of cars with unrestrained children? France has them. In the UK, they can be imposed on adults foolish enough not to wear seat belts. But risking a child's life earns only a caution.

The law says children under three must not be carried in the front seat unless restrained properly. In the back seat, though, it states merely that a restraint must be used if avail-

able. Rear seat belts (used normally to secure child safety seats) have been fitted compulsorily to cars only since 1978. So, an infant may ride legally in the rear of a pre-1978 car, free to fly through the windscreen or be hurled to its death out of a side window in a crash. Simple child safety seats, and conversion kits for installing them into many pre-1978 cars, are available. Is it not time the government plucked up its courage and told owners of old cars that, if children cannot be restrained properly in the back seat, they must not be carried at all?

Britax, which sells one child safety seat in two in the UK, has published an excellent child car safety guide. Call 01264-388034 for a free copy.



Big saloon with a super-mini's thirst: the Audi A6 TDI

I prefer executive-class cars with only two pedals, but a manual gearbox model with which I could happily live is the latest Audi A6 TDI.

Its 140-horsepower direct injection turbo-diesel drives the front wheels through a six-speed box. I cannot think of a better choice for the business user who wants a really big saloon with a super-mini's thirst.

The small minority of super-economical, direct injection diesels tends to lack the refinement of those with indirect injection.

But the Audi's muscular five-cylinder is acceptably subdued at start-up and almost silent on a motorway.

In part, that is due to the gearing. The

A6 TDI is so long-legged that, at 70mph (113kph), the engine is turning over at a lazy 2,000rpm in sixth gear.

An economy-minded driver finds sixth still usable at only 1,000rpm and 30mph (50kph).

Without changing down, acceleration is understandably sluggish, although the engine remains remarkably smooth.

But slip the finger-light gear lever back into fourth, let the engine spin up to 3,500rpm, and this big five-seater fairly leaps away.

I bettered 42 miles per gallon (6.73/100km) on a combination of cross-country and motorway journeys. A heavy-footed driver exploiting the engine's high power output constantly, rather than its massive

low speed torque (pulling power), might bring this down to the low 30s - which would still be out at all bad for so large a car.

Yet wasting fuel through hard driving would also mean throwing away the second strongest card in the Audi's suit: its utter relaxation on a long journey. Ride comfort is good (if not best in its class), the handling nimble, and the steering weighted nicely.

There is no trace of wood veneer in an honest, practical interior with well-shaped seats and lots of leg room front and back.

The boot is so big that two sets of golf clubs in their trolleys almost had room to rattle around. Prices start at £22,810.

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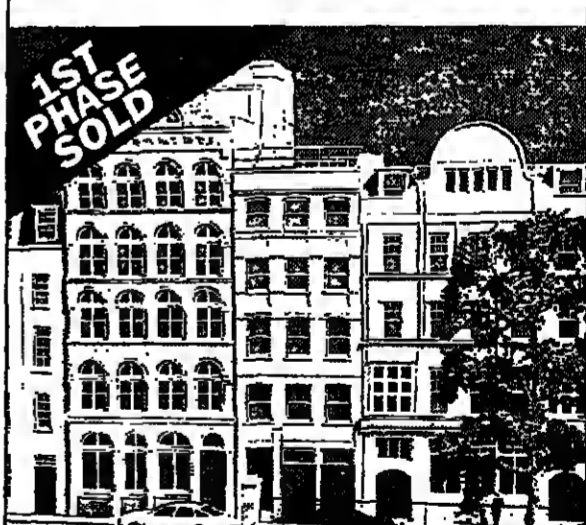
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BOOKS

Old secrets and scandals rehashed

Christopher Hitchens hopes to see a crash in the market for intelligence potboilers

It is pleasant to picture the daily round of those scribbles who bought early into espionage stocks. Wake up at the crack of dawn, pinch yourself to see that you're still that lucky. Open the mail and sift the cheques, and perhaps there will be a letter from your agent (literary, I mean) to make the day. "We've got quite a nice little Bulgarian defector for you. Good with the bottle but not very strong in English. Lots of corking stuff to tell and all completely uncheckable! Needs someone to help weave it together. I've already talked to New York and we're looking at..." But there is a hidden cost to this way of life. I have to say that it seems to me disgraceful that someone styling himself a professor of modern and contemporary history at an ancient university can write as poorly as Christopher Andrew. Not even the arbitrary muddiness of the subject-matter can excuse sentences like this: "Scarred by forty years of

Cold War, CIA assessments failed to keep pace with the sea-change in Soviet-American relations during the last two years of Reagan's presidency." This is an average sentence by Andrew standards, but it does exemplify both of his two salient defects. You cannot have a scarred assessment and you do not keep pace with sea-changes. But the sub-clinical automatic writing is the manifest of elipsoidal thinking. What Andrew is here saying, but without admitting it, is that the world's largest and richest "intelligence-gathering" organisation failed completely, for the basest ideological reasons, to report honestly or accurately on its principal object of study. This is probably Washington's most open secret, so there is little excuse for getting it wrong.

I began with the chapter on Reagan because it was the period that I knew and remembered best. There was not one single item of

information that is not already known to the most casual reader of the newspapers in this city. There is some mis-information, because one of the most frequently-cited source books is *An American Life*. This volume has the name Ronald

FOR THE PRESIDENT'S EYES ONLY: SECRET INTELLIGENCE AND THE AMERICAN PRESIDENCY FROM WASHINGTON TO BUSH by Christopher Andrew HarperCollins £23, 672 pages

Reagan on its dustjacket but, as is notorious, the former president could not have read the book, let alone written it. It was a publishing scandal at the time for this reason, and also because it attempted to place a wad of tendentious lies on the historical record; lies that had already been exposed by

Congressional and journalistic inquiry. To refer to the "book" as if it was an archival resource is worse than laughable, and something worse than that from someone representing himself as a trained historian.

In a depressing effort to cheer up an unoriginal narrative with some Ludlum-esque touches, Andrew resorts to silly plot devices. Thus, it is well known that Reagan and his CIA chief, the gruesome William Casey, spent a lot of time keeping the Polish resistance going and in beeping up the Solidarity movement. They even claimed to be doing this at the time, which makes it hard to create a sensation by "revealing" the fact. The apostolic delegate in Washington at the period was Archbishop Pío Laghi. "On several occasions Laghi was smuggled into the White House through the southwest gate to meet Reagan."

gate of the Executive Mansion is not a frontier; it is a gate. And the Pope's envoy can come and go through it any time of the day or night without arousing comment, unless he chooses to wear Hell's Angel garb. The "tracraft" of this style of authorship largely consists of creating mystery and drama where none exists. It goes on like this, with familiar and well-worn reconstructions padded out by breathless Jeffrey Archerisms. You can see why people who spend too much time in this world have a tendency to become bores and crackpots. Here is Oleg Penkovsky, "probably the most important Western penetration agent of the Cold War" (I like the "probably", which leaves room for later and more lucrative collaborations with "top-level" defectors who do not know where the next meal is coming from) as he discloses his amazing trove of material.

"In April, Penkovsky was secretly debriefed at the Mount Royal Hotel, near Marble Arch, by a team of CIA and SIS officers. He astonished his Anglo-American handlers by telling them, 'the great desire which I have carried in my soul - is to swear my fealty to my Queen, Elizabeth II, and to the President of the United States, Mr. Kennedy, whom I am serving as their soldier.' He asked for the queen and Kennedy to be informed." "Could be", I noted in the margin at this point. I do not mind reading the Penkovsky tale again, or the story of the Bay of Pigs or the account of how British intelligence duped Woodrow Wilson. But I have read it all before, and I have seen it written better, and I am wondering if there is any bottom to the intelligence potboiler market. If so, I hope it drops out - and soon.

Christopher Hitchens is critic-at-large for *Vanity Fair*

Belly laughs for the blokes

There is a very serious debate going on among those of us men who care about this sort of thing. It is over whether Dave Barry or Tony Kornheiser write the funniest columns in American newspapers.

Both are deliciously incorrect, politically, anatomically and otherwise, both take their readers down flights of their outlandish imagination and language. Kornheiser more often in the area of sports, Barry in the realm of bodily and animal functions. Both make Sundays bearable before the heavyweight political talk shows and the serious. You will notice the word "men" in the first sentence. Now it is true that my wife frequently collapses in giggles over what both write. I am told there are snorts (or trills) of female laughter all over Washington over the bacon and eggs or, more likely, mussels, demonstrating that feminism has a sense of humour, too. But mostly the clapping claque is male, for both see the world, and women from a singularly masculine point of view.

The great service of Dave Barry's latest book is to distinguish between "men" and "guys" - and, inevitably, between guys and women. It is even called *Dave Barry's Complete Guide to Guys*. This is not his first such definitive work.

He previously offered guides to history, travel, sex, babies, the house, gifts and even Japan, which I think I once reviewed for the FT business books section on the grounds that if you cannot laugh about Japan you will never do any business there. As he sees it, Germany is a man, Italy a guy. Christopher Columbus was a man, but a guy was "whatever astronaut hit the first golf ball on the moon." Men are guilty of "behavioural patterns that can produce unfortunate results such as violent crime, war, spitting and ice hockey."

Guys, on the other hand, may have an inner feelings "unless you count, for example, loyalty to the Detroit Tigers and fear of bridal showers." Guys like "neat stuff," such as the Space Shuttle and do not, as do women, "have a basic need to rearrange furniture in the middle of the night." They do not have a rigid or well defined moral code ("Invented by women millions of years ago when guys were out engaging in some other activity, like seeing who could hump the loudest.")

Guys are stubborn. Moses, definitely a guy, took 40 years to lead the Israelites to the Promised Land because "he refused to ask directions." The greatest single achievement in the history of the human race is, to a guy, not democracy or religion but a TV remote control. Asked to drive the three children to school, the guy replies "there are three of them?"

Guys are not sensitive human beings. They are not concerned about "global warming, unless it affects the play-offs." "What happens to laundry after you drop it on the floor," "cooking" (but eating is different) and "the specific person they are having sex with."

You get the drift. It is difficult to quote from Dave Barry in a short review because his anecdotes go off at long tangents. But so do the belly laughs and who cares if the single is sophomoric.

For all that, I myself am not only of the male persuasion but probably am a closet guy. I can cook and with difficulty negotiate the washing machine provided the instructions are not in Japanese, but not the sorting of the laundry; and hardware stores, where men, but never guys, are supposedly instinctively at home, leave me paralysed with indecision.

As I am over whether Barry is funnier than Kornheiser, who, in a column about male TV hunks the other day, wrote: "I've had women react strongly about me, but it's usually more of a shudder." Clearly a guy, but with feelings.

Jurek Martin

Symbolic search for El Dorado

Raleigh may not have found the Golden City, but he did find his own promised land, writes Ian Hamilton

Four hundred years ago, in February 1585, Sir Walter Raleigh set sail for South America, in search of the perhaps legendary El Dorado. He had read all the travellers' tales, such as they were, and reckoned he might be able to locate this rumoured paradise of wealth, where there were said to be mountains made of crystal, pearl-rivers and hills of gold.

According to Raleigh's researchers, El Dorado was probably hidden in the highlands of Guiana, about 500 miles inland. The Spanish had tried to find it there, more than once, but had been defeated by the jungle or by the treacherous Orinoco Delta, with its maze of swamps and dead-end waterways, its alligators and not-always-friendly natives. Spain, though, had tried to bully her way through to the interior, and was now hated by the locals. Althou would proceed peacefully and with high diplomatic cunning.

The expedition was well-financed but its backers expected a spectacular return. Raleigh could not afford to come back empty-handed. In 1595, he was seriously out of favour at court, where he had once been Elizabeth I's chief favourite. His secret marriage had earned him a spell in the Tower, followed by a long stretch of pastoral exile in Dorset, where he sported with his falcons and dreamed about distant realms of gold. He was running out of the money he had made from earlier American adventures. If this El Dorado exploit could be made to succeed, he would be back in favour with the Queen, and once again untouchable. Were it to fail, he would be finished.

Or so it seemed to him, and to his numerous court foes, when he set sail. Hence, no doubt, the tenacity with which he pursued his impossible adventure, surmounting all manner of hair-raising jungle hazards and discomforts, and yet managing at the same time to sustain this courtly cool. Chiefs who feared the Spaniards as blood-thirsty invaders were somehow per-

suaded to greet Raleigh as a benign visitor and to replenish his supplies. They also replenished his dreams: El Dorado, they would say, was close at hand - just a bit further on; a few more miles, beyond the next range of mountains. He was always almost there.

Raleigh, of course, never reached the Golden City, but he got close enough - or so he claimed - to know for certain where it was and what it looked like. It was, he reported, an utterly new world of wondrous beauty, an Arcadia of lush green valleys, trilling songbirds and gently grazing deer. And underneath, "every stone that we stepped to take

THE CREATURE IN THE MAP by Charles Nicholl Jonathan Cape £18.99, 350 pages

up seemed certain to be gold or silver". And there was, indeed, a crystal mountain - a waterfall "like a white church tower of an exceeding height". It made a sound "as if 1,000 great bells were knocking against each other". The brochure talk, though it made South America seem like an idealised England, was not exactly what Raleigh's investors wished to hear. On his return, though, he was able to plead that he had indeed found what he had gone looking for: a promised land. It would be for others to follow through with picks and shovels. Even when the precious stones he brought back with him turned out to be worthless, Raleigh still contrived to create the impression that his trip had been a great success. And this was largely because he told the tale so well, and with such evident conviction. As far as he was concerned, El Dorado was no longer a fantasy - he had been there.

And yet, of course, he hadn't: there was no such place. But he had been somewhere. And this is the starting point of Charles Nicholl's valuable new book. What did Raleigh think he was doing, suffering such hardships, running such risks,

in order to find a place that wasn't there?

The answer, Nicholl believes, is that although Raleigh failed to discover El Dorado, he did find a place sufficiently golden for his purposes - and these purposes were not just political and financial. As Nicholl reminds us, this intrepid courtier was also a fine poet, a scholar of medicines and magic, and - in 1596 - a middle-aged and perhaps disappointed man. The quest for El Dorado was also a quest for his own lost or buried self. The intensity with which he set about it had to do with the interest in ideas of the primitive, the elemental, ideas which were not allowed to be spoken of in Elizabeth's police state.

In Nicholl's view, then, Raleigh made two journeys - one physical and one rather complicated symbolic - and for the most part they were intertwined, interdependent. To these two journeys, Nicholl adds two of his own: a 1992 trip along Raleigh's El Dorado route in the company of a Channel 4 television crew, and a somewhat more rewarding trek through all the maps, documents and drawings relating to the Raleigh expedition: the journey itself, the personalities involved in it, the intellectual background.

Nicholl's two journeys are also meant to intertwine, and do - but insecurely. His account of the Channel 4 "reconstruction" has its absurd and lively moments but mostly seems extraneous - a programme-idea that is forever failing to shape up. The scholarly detective work is altogether more impressive, and seems fuelled by genuine excitement. There are long-gone and pedantic details which were not allowed to be spoken of in Elizabeth's police state.

And in the end he does seem to have come up with something rich and strange: he has taken an historical oddity and shaped it into a compelling metaphor. Or is it simply that he has been wise enough to spot what was already there: a creature in a map?



A "catrin", or dandy: a traditional dance mask worn by one of the Nahuas dancers of Tlaxcala who dress elegantly and carry umbrellas. One of 135 photographs by David Lavender from "Mask Arts of Mexico" by Ruth O. Lechuga and Chloé Seyer (Thames and Hudson £3.95, 96 pages).

Fiction/Iain Finlayson Ruled by the icy hand of fate

The Butcher's Boy, Patrick McCabe's first novel, was a shocking giggle from the gods, laughing as they inconsiderately swatted at the protagonist, Francis Brady, whose excessively violent response was to strike out in the dark and in his derangement at the perceived cause of his misery.

In *The Dead School*, Raphael Bell and Malachy Dudgeon become stuck together like magnets in a mad dance of death, strung out by a fiddler whose "icy hand of fate" saws out the tune that subverts their certainties when, after more or less Arcadian childhood in rural Ireland, Raphael's father is murdered by the Black and Tans and Malachy's father drowns himself when he discovers his wife's faithlessness.

In their own ways, both men achieve some success and stability. Raphael's joyful, albeit childless, marriage, the satisfaction he takes in his prestigious appointment to the headship of St Anthony's School in Dublin and the opportunities this provides for the profundity of pedagogy and the principles of politics, are fair compensation for the end of childhood innocence. Raphael's life, like

Fukuyama's history, comes to a point of resolution - an orderly conservatism that is tested, irritatingly tickled, by the gadflies of mid-to-late century liberalism and secularism.

Into this late-found Arcadia of academe where Raphael hoards his substantial savings account of cultural reticence, comes, of course, the ineluctable force of disorder that is Malachy Dudgeon, child of the late 1960s and '70s, whose cultural capital consists of the small change of pop songs (the cheap music of "Chirpy, Chirpy, Cheep-Cheep" is the most potent evocation of the experience of romantic love for Malachy) and his stock of apt quotation is derived from movie dialogue. While Raphael is buttressed into life by the firm props of history and culture, Malachy's defences are virtually non-existent.

The jaunty, musical tone of

the novel belies its barrowingly bleak content: the principal elegiac recitative of a descent into madness, despair and death is descanted by the authorial voice which sings and chants the chorus of desperate hope, of expectation continually confounded by the

THE DEAD SCHOOL by Patrick McCabe Picador £15.99, 345 pages

implacability of events, the collusive collision of opposing forces leading to mutual destruction. The cheap, childish chirp of surface brightness is set against the ominous, subterranean rumblings of tectonic plates grinding together. As Edmund Wilson said of F. Scott Fitzgerald, "his style sings of hope, his message is despair": one would like to say the same of Patrick McCabe.

though such a tidy, pithy tag would perhaps be somewhat trite, even piously respectful of a writer who, like a wizard, tempts the laughter of God and is damned for his presumption by disaster.

The lyrical, breathless rush of the prose tumbles out of his narrative mouth like a discursive teacher - it can be no accident that the first lines of the novel are, "Boys and girls and I hope you are all well. The story I have for you this morning is all about two teachers and the things they got up to in the days gone by."

So it is a fairy story, in effect, a tale to send the little darlings shrieking home, blanch-faced and trembling to parents they will henceforth regard with wild surmise and a salutary mistrust. The devil that morning was in the classroom, and new little lives - so full of expectation, so trustingly open to instruction - have been blighted in the bud. Well, it cannot happen too soon, is McCabe's message. Grow up, get a life - but don't think the bogeyman won't get you. Keep looking under the bed. You are out on a limb, and neither the rigour of the rod-like branch, nor its pliancy, will save you from the fall.

Exercise in misadventure

Do you know how many rescuers and supporting organisations were flung into action in March 1994 when a British Army "adventure training exercise" - Exercise Gully Heights, in Sabah, east Malaysia - went horribly awry?

The answer is that 300 Malaysian and British soldiers were put to work searching the jungle for the missing expedition, supported by the Royal Malay Regiment, various rescue helicopters, Sabah's police force and frontier scouts; park rangers and guides of Kinabalu national park; staff from the Outward Bound School at Kota Kinabalu; staff at Sabah medical centre; the Ministry of Defence in London; numerous British Army types, especially at Eastern District HQ in York; staff at the British high commission in Kuala Lumpur; British forces HQ staff in Hong Kong, and so on and so forth. In short, the rescue cost the taxpayer hugely. At the very least, one is bound to wonder whether Britain's version of the peace dividend expected to

be generated by the death of communism and the hacking back of global military expenditure will ever amount to a can of beans so long as military types go flinging themselves down ravines in south-east Asia - and getting spectacularly lost.

Exercise Gully Heights was to have lasted 10 days. Led by the authors of this book, the

SOS: THE STORY BEHIND THE ARMY EXPEDITION TO BORNEO'S 'DEATH VALLEY' by Lt Col Robert Neill and Major Ron Foster Century £16.99, 266 pages

grand adventure. Man against the jungle. Find out who your friends are. Good for team morale. Make chaps glad they joined the army. Show them a bit of the world. After the rescue, a board of inquiry was ordered by Major General Patrick Cordingley, who later stated that in the two years prior to Exercise Gully Heights some 60,000 soldiers had taken part to 2,000 adventure expeditions, of which more than half had been conducted overseas. Such training, maintained the general, was invaluable for developing highly desirable skills and attributes, including self-discipline, self-reliance, willingness to take initiatives and ability to overcome fear.

Perhaps there are some to whom SOS will appeal. But knowing that the chaps are destined to be rescued somehow kills the fun, which leaves one pondering the truly ridiculous cost of Britain's continuing military presence in the world's queerest spots.

Michael Thompson-Noel

The complete in the

The golden age in the... the age of misse... Richard

Lung-up Carolyn Hart on

Carolyn Hart on... the world before social...

BOOKS

The national narrative

The state of our culture, Robert Hewison's new book reminds us, is bound intimately to the culture of our state. The creation of the department of national heritage in 1982 represented, according to Hewison, a "disguised act of modernisation", the belated recognition by the state of its responsibility for the quality and variety of the nation's cultural life. Although in some ways a noble gesture, Hewison sees it as, so far, an ineffective one, with the opportunity to develop a value system which promotes the existence of a "common interest in the health of the arts" being thwarted by more prosaic economic considerations.

The price of culture has been allowed to obscure its value. Culture is a political issue, and vice-versa. What culture does, argues Hewison, is to put "the flesh on the bones of national identity", providing it with "the shaping, moral medium for all society's activities". A nation's culture, therefore, far from being a private matter, is "vital to national existence". It should not be regarded as a "closed canon or a reliquary for past

values", Hewison insists, but rather as "a way of thinking and feeling about the possibilities of a better life". It should be respected and encouraged in its role as "the national narrative, the ground of identity and the support of society". What Hewison wants to see, in short, is a shift away from a preoccupation with "value for money", towards a commitment to "money for values".

Such a shift has been made possible, Hewison believes, by the recent "crisis of national identity" sparked by the effects of Thatcherism and symbolised by the Queen's "annus horribilis" of 1992. Walter Bagehot (one of the few authorities overlooked by Hewison) had stressed the importance of the "theatrical show" of society, a "certain charmed spectacle" with the monarch as its climax; the monarch provided "a visible symbol of unity to those still so imperfectly educated as to need a symbol", while the royal family sweetened politics

"by the seasonable addition of nice and pretty events". More than a century later, the events had become neither nice nor pretty, the spectacle charmless and the monarch more a symbol of division and confusion. The department of national heritage, torn between culture and com-

CULTURE AND CONSENSUS: ENGLAND, ART AND POLITICS SINCE 1940
by Robert Hewison
Methuen £20, 448 pages

servation, was, according to Hewison, a product of this confusion. On the one hand there was the modernism of David Mellor, seeking an effective ministry of culture, more than "the office of arts and libraries on wheels", promising to explore a new way forward for the arts; on the other there was the benign but backward-looking position of John Major, recalling

skill. The problems occur when he tries to suggest a constructive and coherent strategy for the future. His historical account is so generous in acknowledging other sources that it is sometimes difficult to keep sight of his own distinctive arguments, and his brief concluding analysis of the "search for new forms and new methods" is frustratingly elusive. Aside from his conviction that "there is every possibility that the new century will produce a new and as yet unimagined modernism", which he then goes on to imagine as being informed by something he calls "a more feminine consciousness", "pluralism" and "a greater ecological sensibility", he offers us little of consequence.

The appeal of *Culture & Consensus* is rooted firmly in its value as an accessible and generally judicious work of popular cultural history. The ways in practice whereby cultural policy can come to play a greater and more effective part in the national debate about a "new consensus" will, however, need to be the subject of another, very important, book.

Graham McCann

Why the Red Flag was furled

Why did communism collapse in the Soviet Union and eastern Europe without war?

The short answer to the question is that military conflicts have indeed occurred in several countries. Violence continues in Moldova and Azerbaijan, and a vicious civil war has engulfed Tajikistan and the former Yugoslavia. And yet it is remarkable at the moment that communist states have gone into oblivion more with a whimper than with a bang. In seeking to explain the phenomenon, David Pryce-Jones has gone on a grand tour of Europe between the river Elbe and the Ural mountains and asked leading politicians about their activities in the late 1980s.

This is a useful project to have attempted. The contemporary documentation of discussions in the Soviet Politburo and its surrogate party and government bodies elsewhere in the eastern bloc is very far from complete as yet, and even though many communist leaders have published their memoirs, few have been any more informative than recently-retired British Conservative ministers in theirs.

By interviewing close colleagues of Mikhail Gorbachev such as Alexander Yakovlev and Vadim Bakatin, Pryce-Jones has had an opportunity to make an enquiry on his own terms. This method succeeds in a couple of interesting ways. Politicians are masters of public dissimulation, but under direct interrogation the mask tends to slip. Even Bakatin's puppy-like devotion to Gorbachev and his achievements proves to be streaked with exasperation.

So there are plenty of glimpses at the misunderstandings, jealousies and antipathies among the various leaders. Also on show is Gorbachev's impact on a huge process of international political disintegration. He transformed his subordinates with his daring imagination. He was also wily, avoiding the temptation to impose Soviet-style *perestroika* directly upon other countries: he preferred to persuade by example.

In 1989 the Bulgarian communist reformer Petar Mladenov told Gorbachev that he had it in mind to try to remove the ageing anti-reformist Todor Zhivkov from power. Mladenov expected to receive support or at least a few words of advice. Instead Gorbachev told him bluntly: "This is entirely your business. You have to sort it out by yourselves."

Of course, the Soviet general secretary had a gigantic influence on the course of events when making decisions on the USSR's behalf. Among the many striking instances in the book is the very personal sanction given by Gorbachev in conversation with Chancellor Helmut Kohl to proposals for Germany's political reunification. Even Shevardnadze, Soviet foreign minister during most of Gorbachev's rule, was at times virtually the general

secretary's errand-boy. The importance of historical contingency in the downfall of the Soviet outer and inner empire is repeatedly asserted. Individuals, their personality and decisions and even their whims, counted. Furthermore, "power politics" among ambitious, over-confident communist leaders were undoubtedly a key element in communism's collapse. Gorbachev, Yakovlev and Bakatin were no angels. They instigated their reforms in the hard-headed hope of keeping Marxism-Leninism as the guiding ideology of the eastern bloc, and devious manipulations figured even in their apparently democratic initiatives.

Even so, it is depressingly unconvincing to describe Alexander Yakovlev, one of the first advocates of *glasnost*, as merely "a throwback to the old communist stereotype". Perhaps the book pays a price for its dominant reliance on inter-

THE WAR THAT NEVER WAS: THE FALL OF THE SOVIET EMPIRE 1985-1991

by David Pryce-Jones
Weidenfeld and Nicolson £22, 456 pages

views; for the technique proves to be better at evoking the atmosphere than at explaining the causes of change.

The nub of the matter is that communism was peacefully terminated in Russia and many other countries to a large extent because communist elites anticipated the collapse and made their own political and commercial preparations. And they continue to profit from this. Pryce-Jones rehearses much cogent information on the financial malpractices of Gorbachev's Politburo colleagues before 1991. No wonder the Politburo did not go down fighting against the havoc being made by capitalist-style reforms.

But why did the rest of Soviet society accept the transformation? The response must be that the dissolution of the USSR and Marxism-Leninism has left many segments of the communist state still standing. Massive governmental subsidies still support the collective-farm system. Few large privately-owned factories, however badly run, have been allowed to go into liquidation. Brezhnev's Russia still lives. A popular saying used to sum up the unwritten social contract of the 1970s: "We pretend to work and you pretend to pay us". The greatest test for reform in that unfortunate country will come when a Russian government at last decides to tear up the contract. Despite his bravado, Boris Yeltsin has not yet done this. And indeed when he or his successors pick up the reins of the social and economic disorientation could lead to violence. It might then, alas, not be possible to write about the war that never was.

Robert Service

The cost of complacency in the City

The golden age in the Square Mile was also the age of missed opportunities, writes Richard Lambert

The two decades leading up to the first world war were a golden age in the City of London. Its financiers raised almost half the world's total exported capital; as the only free gold market, it offered a unique attraction to overseas depositors.

The City was the communications hub of the Empire, and the main market for insurance, many commodities and ship chartering. Bills of finance drawn on London financed most of the world's trade. City tycoons lived in extraordinary luxury. Its teeming alley ways and offices provided employment for hundreds of thousands of clerical workers.

But this was also a time of missed opportunities. The second volume of David Kynaston's extraordinary history tells a story of conservatism and complacency, the long term costs of which were to be felt well beyond the Square Mile.

"I challenge anyone to point out a single industry in this country which has taken root, and has grown and flourished during the past twenty years," wrote the chairman of GEC in 1901. One reason was that, with a few exceptions, British financiers took a lofty view of domestic industry. "I confess that personally I have a horror of all industrial companies," Barings' Lord Revelstoke wrote in 1911, and he was not alone.

Britain's system of deposit banking was extraordinarily stable - there had been no big bank failure after the City of Glasgow smash in 1878. But what Kynaston describes as "obedience to the god of liquidity" had big drawbacks when it came to industrial finance.

Bank amalgamations had created a system that was bureaucratic and mainly London-based, biased in favour of big companies and against the forces of innovation.

The joint stock banks were unwilling to provide long term finance. One observer noted sadly the contrast with Germany where banks took "a much larger and more direct interest in the commerce of their country than is the custom here... British banks,

on the other hand, look only to their own stability; and by doing this they are, in the end, doing more for the cause of industry than their German rivals."

So they were unwilling to become equity holders, to be involved in the domestic capital market, or to take on any significant management role.

The established merchant banks were also deeply conservative, wedded to the family based private partnership and operating increasingly like an exclusive club. Trade finance and international loans were their meat and drink. They largely missed out on newer lines of business: arbitrage and foreign exchange; industrial finance, South African gold mines; Chinese loans.

The Stock Exchange's orientation, too, was mainly international. New equity issues were not an activity for gentlemen: better to leave them to company promoters like Whitaker Wright or Horatio Bottomley. (Wright chose a cyanide pill rather than seven years' penal servitude. Bottomley was visited by the padre in Wormwood Scrubs, who found him stitching mail bags. "Ah, Bottomley, sewing!" To which the financier replied, "No, reaping.")

Did it matter, asks Kynaston rhetorically, that by far the most important financial intermediary in the early history of the British motor-car industry was a crook? Of course it did. The unscrupulous operations of Harry Lawson damaged pioneer motor producers such as Daimler, and initiated what was always to be an uneasy and distrustful relationship between that industry and its financiers.

The City had its own ways of recruitment. Personal contacts and nepotism was most important. As Edwin Waterhouse, the grand old man of City accountancy, advised his son: "My dear boy, though you are

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St Stephen's Walbrook and the Mansion House in the City of London, circa 1895

pretty hopeless in your work, for goodness sake be one of the first in the queue every morning so at least my partners will think you are trying."

Sporting prowess was also helpful. The Stock Exchange had a well deserved reputation for producing first class cricketers. Formal qualifications were rare - least of all university degrees. Otherwise, a five-minute interview was about the going rate for

a 50-year career. Fortunately, the City then - as now - was open to outside talent and its wealth was a powerful magnet for talented immigrants.

"Lombard Street under foreign control" complained the Bankers' Magazine in 1901, and names like Ernest Cassel, Saemy Japhet, Chester Beatty and Ernst Friedlander recur through the book.

There were twice as many Germans as English at Schroders in the 1890s; at Czarnikows, the two Smiths on the staff were differentiated as "grosser" Smith and "kleiner" Smith.

Kynaston takes us into a world which is recognisable half as something out of Dickens, and half as something which can still be seen in outline today. He illustrates it with rich anecdotes, an extraordinary range of sources, and lively writing. It is a wonderful piece of work.

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Hung-up on childhood

Carolyn Hart on the authors who never grew up

Growing through the turgid stuff that comprises much of children's "literature" these days, it is hard to realise that just over 130 years ago a revolution occurred in children's books. This revolution not only radically changed the way adults treated children but also instigated a kind of golden age in children's writing which lasted until the 1930s. Then, some would say, it came to an abrupt halt, never to recover.

The architect of this revolution was Lewis Carroll and his ground-breaking fantasy, *Alice in Wonderland*. Anarchic, fantastical and loved by virtually all children who come across it, *Alice* was swiftly followed by J.M. Barrie's *Peter Pan* and Edward Lear's nonsense poems - all undermining the stifling constraints of respectable adult society.

What drove Carroll, Lear and Barrie, and later Kenneth Grahame and A.A. Milne, to create such a radical canon of literature? Well, sex and an inability to grow up, actually, allied to a subsequent feeling of social dislocation, as Jackie Wullschlaeger argues in her intriguing book, *Inventing Wonderland*, a study of the lives and fantasies of Lewis Carroll, Edward Lear, J.M. Barrie, Kenneth Grahame and A.A. Milne.

Everyone who reads *Inventing Wonderland* must send up a sigh of gratitude that Carroll, Lear et al burst on the world before social

workdays had been invented, for nowadays anyone who behaved like these men would be forcibly removed by the politically correct police.

Carroll's well-documented penchant for small girls presents few surprises now, apart from the fact that the begging letters he wrote to mothers requesting permission to photograph their children ("I trust you will let me do some pictures of Janet naked; at her age, it seems almost absurd to even suggest any scruple about dress...") did not always receive the answer "no".

INVENTING WONDERLAND
by Jackie Wullschlaeger
Methuen, £25, 228 pages

But Barrie was just as bad, chasing small boys in Kensington Gardens in a vain attempt to recreate his ideal childhood. Barrie's whole life came to bear an uncanny resemblance to the story of Peter Pan, from the Lost Boys to the harrowing prophetic line, "To die will be an awfully big adventure", which foreshadowed the deaths of his much-loved protégés, the Llewellyn Davies boys, in the first world war. In comparison, Lear seems relatively normal - his main hang-up, apart from dithering for nearly 40 years over a marriage proposal, was the size of his nose, something with which he never came to terms and

which, in his poems "becomes the focus for everything about him which is different and odd". ("His mind is concrete and fastidious/His nose is remarkably big/His visage is more or less hideous/His beard resembles a wig.")

Kenneth Grahame's *Wind in the Willows* carries on where Barrie's story of Peter, the feckless boy, leaves off, creating a golden Edwardian landscape in which Toad, Ratty and Mole lead a carefree life of bachelor companionship, in a story inspired by Grahame's fear that country ways were being swept away by progress: "The Wind in the Willows" maintains an almost religious faith in nature and the power of landscape," and finds echoes in the childhood haven Milne created in *The House at Pooh Corner* in 1928 where Christopher Robin, Pooh, Tigger and Kanga hang on to the old ideals of safety and peace in the face of war, depression and poverty.

But although Pooh still enchants countless children today, his appeal has always been based on nostalgia. As Wullschlaeger notes: "In a sense Milne was old-fashioned even when he was the height of fashion, a fact... which makes Pooh enduringly popular while Milne is seen as hopelessly out of date." Milne ended his career a bitter man, alienated from his son, pouring sherry out of a Piglet-shaped decanter in his house in Sussex; the last link in the chain which began with Alice and ended quietly with a teddy bear.

Quixotic side of Che Guevara

Jimmy Burns finds this early diary by the legendary revolutionary a joy to read

On a Sunday in October 1967, a Bolivian army colonel organised the shooting in cold blood of Latin America's best known guerrilla fighter, Ernesto "Che" Guevara, before throwing him onto a slab of cold stone in the local laundry.

By displaying the dead Guevara in such an ignominious setting, the military hoped to end once and for all the prospect of political liberation in Latin America by killing not just the man but the myth. It was a terrible gesture which backfired almost the instant it was made.

Western journalists who soon converged on the scene were witness to El Che's beauty in death. With his long hair swept back from his bearded face, his eyes slightly opened and glazed, shrouded in a white sheet, Guevara looked like a contemporary Christ on the verge of resurrection.

And Guevara was resurrected: his handsome features became best sellers as T-shirts and posters; his name and theory of revolution discussed from the barricades of Paris to the slums of Lima.

In the end Guevarism, during the late 1960s and early 1970s, spawned more enthusiastic revolutionaries than successful revolutions. El Che was himself shot after a disastrous six month campaign among the Bolivian peasants had failed to produce the foc or rural based guerrilla force capable of inspiring social upheaval.

In the 1970s, military governments in Latin America stamped on liberation. Only in parts of Central America did the spirit of Guevarism live on and

succeed, just as it had originally done in the Cuba of the late 1950s.

Guevara's last weeks of life on earth in the Bolivian jungle were recorded in a personal diary published soon after his death. Covered in insect bites, without rations, and suffering desperately from asthma, the Guevara that emerges from that diary is of a somewhat pathetic failed hero, whose determination and conviction is ultimately defeated by circumstances.

By contrast, *The Motorcycle Diaries* belong to a much earlier period, before Cuba even, when Guevara as a young medical student set off on a motorcycle to tour South America with a male friend.

What distinguishes these diaries from the others is that they reveal a human side to El Che which historians have successfully managed to suppress. It is in the pages of this breathless journal, not in the tired records of the earlier published diary, that one senses El Che's belief that determination and conviction can be enough to change one's self and others.

It is El Che at 23, still full of the innocence and energy of youth,

and with the passion for life and generosity of spirit that was to abandon him only briefly during his brief period as minister of a pro-Soviet Castro regime.

The long delay in publication - a quarter of a century after Che's death - may have something to do

THE MOTOR CYCLE DIARIES
by Ernesto Che Guevara
Verso £14.95, 156 pages

with the politically incorrect picture of the revolutionary that emerges from these pages, according to the publisher. But whatever the reasons for the delay - and I have no reason to doubt this is the genuine article - the journal, intelligently translated by Ann Wright, is a joy to read from start to finish. Much of the fun revolves around the ultimate symbol of Quixotic perseverance: the motorised Rocinante in the form of Guevara's 1930's Norton 500 CC which he rides a *deux* with his mate Alberto.

The motorcycle, called Poderosa (powerful one), grunts and spits far away over the dusty prairies and across the Andes, endlessly

breaking down or losing its breaks. At each stop, there is an adventure to be had and recorded without excuses or regrets. At one stop, Guevara shoots a dog at night thinking he is being attacked by a puma. At another, crippled with acute diarrhoea, he shuts out of the window in the dark only to discover the next day that he has done so over a tin roof where his host is drying some peaches.

Women are present less in mind than in body. His admiration for the beauty of Chileans leads him one drunken night to attempt the seduction of the wife of a local mechanic. Later while visiting an Indian tribe in Peru, he regrets that the female members are no longer in their native dress of bare breasts.

Elsewhere, however, he is less flippant and one begins to see the seeds of his later political and social awareness. He is sensitive to the primitive health facilities he encounters on his travels, and the poverty of the Indians generally even though they inhabit some of the most breathtaking landscapes in the world.

At the same time he shows himself well steeped in South American history, accepting that the legacy of the Spanish *Conquistadores* has both positive and negative sides to it, and that his native Argentines are not as heroic as they make themselves out to be.

The journal ends with an appeal to Latin American unity and an extraordinarily prophetic encounter between the young Che and an old man, a chronicle of a death foretold steeped in South American magic.

ARTS

The same thought strikes anyone who travels from St Pancras station. As you walk into that splendid terminus, you pass the Midland Grand Hotel - the absurd, magnificent monument to the pride and ambition of the Victorian railway age that curves along the station front - and you wonder: what is it like inside?

When the Midland Railway extended to a London terminus, it wanted to build a hotel of distinction. Sir George Gilbert Scott's example of Gothic grandeur was chosen, with its five floors of arches, pinnacles and pillars. The external splendour was matched by the interior: 250 bedrooms, a fine curved dining room and a spectacularly spacious wrought iron stairway.

But the hotel's glory was short-lived. Opened in 1873, it was outmoded by 1925. For a few decades it housed railway offices, but since 1980, St Pancras Chambers as it is now called, has been virtually empty and bolted shut.

From next Sunday, however, passers-by can stop wondering and start wandering. The building's doors will be opened to the public for a week in a project masterminded by theatre director Deborah Warner for the London International Festival of Theatre.

Warner, three days after the opening of her *Richard II* at the National Theatre, looks remarkably relaxed. It is a relief to be working here, she admits. "No text, no actors, no 12 hour rehearsal days." The St Pancras Project is not a performance, however. In fact, even she is hard put to describe it. An "enhanced walk" might come closest. "I think work gets interesting precisely at the point when it defies categorisation."

Audiences will enter the building one person at a time at ten-minute intervals and walk along a path picked out for them by Warner and her designer Hildegard Bechtler. Along the route they will place objects, but their intent is not to impose ideas, just to prompt gently the walker's imagination. Each person will create their own experience, like a character in a fairy-tale following a thread round an abandoned palace.

"I thought about putting a piece of theatre in it," says Warner. "Then I began to see the folly of that. The building itself is a far bigger event than any play I could do. As you walk around it alone, you peel back the layers of the story of the building."

You enter, as a Victorian traveller would, through the grand front entrance, heaving open the wooden door and tiptoeing across the tessellated floor. The chill of emptiness strikes you, together with a musty smell of elderly carpet. The hallway is smothered in murky paint and lit by strip lighting, but its grandeur is still awe-inspiring.

Tomorrow sees the start on BBC1 of a mid-evening drama serial which does not concentrate on policemen, vets or doctors. It is not dedicated to the belief that women who work as housewives and mothers suffer a vile form of persecution meted out by men, nor to the notion that men, throughout history, have selfishly monopolised this right to express their free spirits via work. It clearly intends to entertain. It believes that heterosexuality is not only acceptable but can actually be enjoyable. The dialogue does sound as though it was watched off the street, complete with deafening sound effects, by someone using a clapped out Dictaphone. It is not about sex abuse, racism, or transvestites. The characters do not live in penthouses, do not drive shiny new German motor cars (though, come to think of it, their car is German: an oldish Volkswagen banger) and do not drink bottles of foreign beer by the neck.

Don't believe it? Alan Plater proves it is still possible with *Oliver's Travels*, a sort of thriller-road-movie-eclogue-comedy which offers the same



Theatre director Deborah Warner, who masterminded the project, climbs the stairs in the deserted Midland Grand Hotel

The building's the thing

Sarah Hemming takes a walk through time courtesy of the St Pancras project

Your first stop is the gracious curved dining room. A photograph on the door reminds you of the room's heyday, a sad contrast with its ravaged condition now. "It actually does look like it's been bombed and it makes one think of rather violent things," muses Warner. "Some people will deal in purely historical terms and some will have a more emotional and far-reaching response. Some will find this room unbearably sad; others may just think 'What a mess!'"

After walking up the grand staircase, we walk down a corridor past the best bedrooms. At first there will not be much input from Warner. But after a little while, objects will start appearing. Some will be surreal - a room with a real lawn as a carpet; others will be more literal - a tray

outside a door, a pair of shoes. There may even be actors about, but this is not certain. "I don't want to frighten people," Warner insists.

Her hope is that the walk will offer each person a constantly changing imaginative journey, in keeping with the fact that the nature of the building's emptiness keeps changing. On the middle floors, period details peep out from behind notice boards, or are suffocated by paint in shades of mud and mustard peculiar to officialdom. Higher up, the hotel reverts to its earliest form. "It's perched between its past, its non-life and its future," says Warner. "As you walk around you find yourself moving to and fro between these ideas."

The higher up the building you go, the more remote the present day

world seems, until you arrive at the airy top floor, where there is little intervention from recent decades. Here the maids slept, five to a room, and you feel the hard graft that supported this whimsical grandeur. "By the time you get to the fifth floor, you feel you've really been on a journey," says Warner.

"I find it unbearably beautiful," she adds, gazing down the long shabby corridor. "I don't know why I find it so moving. It's the most untouched, I suppose. I brought a friend here who found it terribly sad. I don't. There's something serene about it, partly because of the light."

It is here that she and Bechtler will try and give the greatest sense of presence, with flowers and books, and even beds in one room. There are

problems, she confesses, as we clamber back down the service stairs to the cellar six floors below. How to mark the path securely (shades of Hansel and Gretel); how to prevent bottlenecks if people race or dawdle round the track. Over the next week she will be sending round guides pigs to check they do not get lost, frightened or fed up.

"I hope I've done the right thing," she says, looking out at the bustling station below. "I want to give audience something new... You've come quite a long way. And hopefully you've never had an experience like it."

The St Pancras Project opens on June 18. LIFT runs from June 11 - July 9, booking: 0171 312 1995.

Television/Christopher Dunkley

A talent to entertain

mixture of charm, mischief and jazz, all piled on an off-middle-age love affair, which proved so enjoyable in *The Beiderbecke Affair*. Once again the producer is David Cunliffe. The central male character (James Bolam in *Beiderbecke*) is a teacher, played this time by Alan Bates. Plater revealed last week that, however much he may admire Bates, he wrote *Oliver's Travels* for Tom Courtenay, but that the BBC insisted the part be played by Bates. It is tantalising to imagine Courtenay in the role: where Bates makes Oliver rather soft and soppy, Courtenay might have given the whole thing a harder, sadder edge. The female lead (Barbara Flynn in *Beiderbecke*) is played by an equally talented and attractive actress this time: Sinéad Cusack.

The story is one of Plater's familiar nutty confections. Oliver, a victim of

downsizing at his polytechnic-cum-university, starts out to find the setting of his favourite crosswords, discovers his cottage burnt out, reports him missing, and teams up with Wpc Diane Priest who tells him his hero is in the Orkneys. They drive across England (road movie) pursued by sinister people who wear dark suits and darker glasses (thriller) with Miles Davis and the broken white line unravelling together. The pleasures are varied. Beauty spots are deliberately incorporated in a way that is familiar enough from foreign films but rare in Britain. Small incidental jokes are frequent: we see the hotel clerk tapping away frenziedly at his keyboard and then discover he is not processing bills but playing a video game. In another hotel the proprietor advises against her own cooking and recommends a local trattoria: "They're gen-

uine Italian. From Wrexham".

You have to wait until episode 3 for any rummy punny and when it does come it is in the form of shadows on the bedroom wall, plus one instructional shot of the legs of the hero and heroine illustrating Oliver's repeated chat-up line that he knows something funny about sex. Above all, the script is literate and makes no bones about originating in the mind of a writer: "Jokes, like religious faith, can be described but not explained. Everything that matters is a mystery. Disregard the unusual - pursue the trivial." It could be Plater's description of his own approach to script writing. Perhaps some viewers will not catch the full Shakespearean flavour of the pun in "T.S. Eliot is an anagram of 'loiter' so he should be in touch with the great fundamentals" but it is good to know that someone still

takes a delight in contriving such lines. *Oliver's Travels* is a five week treat.

Bliss, which begins on BBC2 five minutes after the Plater ends, is much closer to what we have come to expect from television drama departments these days. A one-off production in the "Screen Two" slot, its main strength is in providing a part for Douglas Hodge which contrasts vividly with his usual roles of strong, confident, sexy heroes. In *Bliss* he plays a bespectacled nerd of a civil servant who, while everybody else enters effortlessly into human relationships, feels that "I don't know what you're supposed to do". Actually the girl in the flat above him is also having trouble. However, although we follow both sets of difficulties with close attention (including the explicit rummy punny which is mandatory for everyone except Plater) there is no proper resolution. The diffuse nature of the piece only becomes understandable when you discover that it was "written and directed by the award winning filmmaker Les Blair following a lengthy period of improvisation".

suspect, high on human destruction. But it is still a more plausible picture of men at war than the goody-goody packaged heroisms of *Forrest Gump* (CIC) or the stiff upper-lippery of many of a British war movie.

Violence on screen can have another salutary value. It can expose the ludicrousness of our own bloodlust. We can laugh at a film-viewing world - and a video-viewing world - where one gory brainwave tries constantly to outdo another until the entire process melts into a kind of absurdist innocence.

Homocidal penguins? You can catch them this month in *The Navy Versus The Night Monsters* (First Class). Director John Hollnbeck Carpenter as a garrulous corpse, hosting and interlinking a three-pack of horror stories? *Body Bag* (Polygram), harmlessly enjoyable, is yours for the rental price.

Violence is said to desensitise us, but little in the cinema's history supports this. The video release of *The Crow* (EVS) re-awakens a pertinent cause célèbre.

When its star Brandon Lee was shot dead for real in an on-set accident, Hollywood went into shock. Post-mortems in the press, hand-wringings, enquiries and mass mourning in the media. Even today - for anyone viewing this part-folish, part-stylish horror film - the knowledge of that one real act of violence darkens the whole film, making its other acts of mayhem seem like the quaintest play-acting.

Nigel Andrews

Radio/Martin Hoyle

History proves a good yarn

History is making a comeback on Radio 4, probably to the bafflement of the chattering classes whose encounter with anything older than last week's colour-supp finds them talking of the nostalgia industry, or using that weasel clause, "which never really existed", of the politically inconvenient. Yet not only does the excellent *Leviathan* show that history is a continuous, vital and seamless process by demonstrating how today's headlines have their roots in yesterday's problems, but *This Script's Isle* follows up the attack on the yarn-spinning front: a reminder that history is a series of exciting stories.

First the civil: this ambitious new project is only on Long Wave. It intensifies the schools broadcast feel which alternates Christopher Lee's script (no, not the Hammer horror one) with readings from Churchill's *History of the English-Speaking Peoples*. Nothing wrong with that, of course, and it has addictive potential, but given its resources there is the suggestion of cold feet from the powers that be. Paul Eddington is an actor whose lack of *gravitas* steers Churchillian periods towards the pettishly donnish, but Anna Massey has the right humane-schoomarm authority. Obligatory listening for those, including our communications media industry, who thought the world began in the 1960s.

Radio 5's season of *Laying Down the Law* has been asking children their opinion of crime every morning this week (*What About Us?*, No Harold Williamson criticism, just depression as little girls of primary school age express fear of being raped. All seemed rather pat in their perceptiveness; jealousy, peer envy, acquisitiveness, poverty and desperation were blamed for much crime: thieves want, among other things, to "make their house really beautiful and buy a nice microwave"). One small boy lives in fear of never growing up but being murdered first. The TV *Tango* commercial was gleefully cited as an example of violence eagerly emulated (in one case against a teacher). Saddest of all were those who went off the rails following

parental break-up, and the Asian children (this morning) who dispassionately recount the gauntlet of mindless racism they run as daily routine. Their clear-eyed articulateness is heart-breaking. "People could have stopped them," ran one reminiscence of thuggery, "but they didn't. I think 'Why?'". Tomorrow: punishment and prevention, including one tot who sounds unnervingly like Bubbles in *Absolutely Fabulous*.

An incidental peril of travel by British Rail is being buttonholed by those Ancient Mariners of politics, the Liberal Democrats. In *Sleeping Partners* (Radio 4) Charles Kennedy MP accosted staff and passengers on the sleeper to Inverness, lumping together strangers in unwilling maternity - "You're travelling with friends?" prompted a panicky disclaimer from a *femme seule* who melted over a "nice large gin and tonic". Strenuous demands for funny stories (Mr Kennedy is not one of nature's interviewers) threw up nothing more uproarious than breakfast served in Preston instead of Inverness. The stewardesses numbered a band and two pipers playing all night (most of the passengers were American and "all for it") among their most amusing experiences.

The sort of small treasure that reassures us that BBC Radio is still thriving was provided by Radio 4's *Please Don't Ride Your Bicycle over the Sufferings of My Soul* (Monday). Writer and producer Adrian Mourby remembered "the days before producer's choice" when "people really were allowed to do what they wanted to". His description of the trayed cards recording all plays submitted to BBC radio had the ring of truth, part Kafkaesque, part gentlemanly muddle. William Shakespeare ranked 49 submissions, 37 productions and 12 rejections. If you think for a breathless moment that there are 12 unproduced plays by the Bard in the offing, so did our hero. And who was the prolifically successful writer who behaved as though he really was Shakespeare? This memory of a cliff did not reveal, though under S the system also noted Schiller, Smith and Stoppard.

Theatre/Alastair Macaulay

Edgar's Balkan drama

David Edgar's *Pentecost* is about a crisis collision between past and present, and it concerns the conflicts involved in perpetuating the European tradition of "universal" and rational humanistic values. Excitingly, it is set in the Balkans right now, and, ingeniously, it uses that setting to convey all the warring interests of art history, religious sects, capitalism on recently communist terrain, international terrorists, practical politics, and more. Widely hailed as a brilliant and humane play when first presented last autumn by the Royal Shakespeare Company in Stratford-upon-Avon, it now reaches London - launching the RSC's first season at the Young Vic.

It deserves much of its praise. It starts out as the latest of many recent works about modern people investigating the art of the past - e.g. *Flaubert's Parrot*, *Possession*, *Academy*. The scene (superbly designed by Robert Jones) is a Romanesque church, where Gabriella, a museum worker, has discovered a painting: which may just prove, with the help of the British scholar Oliver Davenport, to be far the

earliest example (early 13th-century) of perspective - may therefore overturn the whole current understanding of the Renaissance - may actually exemplify "the birth of modern rational universal (or universal European) man".

This is already exciting, but Edgar's masterstroke occurs when suddenly matters of art history are waylaid by matters of modern politics. The play shuttles between issues of art and life; terrorists take over the church; the play starts to become a United Nations drama... when, very neatly indeed, the mystery of the painting and the dilemma of the hostages seems suddenly solved... whereupon neatness, and hope, are banished, equally suddenly, by a more drastic and dismaying solution. The play ends with a bang, then a whimper.

Yet I object. How humane is a play whose almost every character is an irritating caricature of national character? And for how many of them can we care, despite the Amnesty International soborities we are told about several of the terrorists? Can we believe in an American art historian who behaves (and looks) like a Kojak clone?

Pentecost is about myriad aspects of our world, but never can we forget that it is a play, with lots of Writing being delivered by Actors playing

Characters. We should applaud a play which keeps up suspense while developing large moral issues - but instead may find it hard to credit this cleverly arranged gathering of contrasting nationalities and cultural interests.

Michael Attenborough has directed this complex text which currently runs at well over three hours - much according to its maris, Jan Ravens plays Gabriella, the most appealing of its leading characters, with tact, charm, and vigour, as Charles Kay plays the more mannered and excessively English art scholar Oliver. Linal Haft is probably not to blame for the ludicrously crude characterisation of the American scholar Leo Katz.

The chief terrorist, Yasmin, may be another tricky role; Katherine Rogers plays it atrociously - wholly overriding the humming eyes, stiff "Mediterranean" gestures, and loud urgent voice. Most of the terrorists are almost as terrible, but Thelma Jayasundera provides a beautifully simple and believable account of the Sri Lankan Tamil.

Pentecost is (alas) among the best new plays presented by the RSC in the 1990s; and what is good about it deserves extensive discussion and analysis. And yet it never fully comes to life. As a window onto today's world, it feels two-dimensional.

shootings, maimings, beatings, sadomasochism: it has all come to seem part of 1990s cinema. Quentin Tarantino rules. Roll the next atrocity and pass the popcorn.

Yet just as *Pulp Fiction* comes to video we should remember - and other releases arrive to remind us - that violence has a long and not dishonourable history on screen. The masterpieces of silent cinema - *The Birth of a Nation*, *Intolerance*, *The Cabinet of Dr. Caligari*, *Battleship Potemkin* - all feature high body counts, whether slain by public wars or private madmen.

One early classic new to video, Tod Browning's *Freaks* (Visionary), should be required viewing for all today's Disgusted of Dorking. If new-made in 1966 the film would probably be consigned to the censor's oubliette, and would score minus-80 if assessed by today's FC brigade. It is about love, revenge and murder among circus freaks. Yet this violent tale, filmed with few gratuitous Gothic frissons, is raised to art by its bruised humanity and defiant lyricism.

Cinema's special strengths equip it better than any other art form to dramatise violence. Movement, immediacy, transformation, dynamic extremes of perspective, and that genius for disruptive ellipsis called "cutting".

Even dear Cecil B. DeMille, adapting the good book, realised that if you put the Bible on screen it had better come with some sex and violence, not just a lot of stained-glass sanctimoniousness.

Video High on body counts

So in 1949 *Sansone And Delilah* (Paramount) was born: an outrageous blend of Old Testament fidelity with kinetic camp. Tremble at Victor Mature's temple-smashing, jawbone-wielding machismo, while lustful Hedy Lamarr sharpens her hairdressing scissors. And in *The Ten Commandments* (Paramount), now out on widescreen video, we remember not the tabernacle of wisdom brought down from Sinai but the Pharaonic chariots tumbling into the Red Sea, the screen-eating pillar of fire, the lashing of slaves.

Scoreless cited *The Ten Commandments* among his formative viewing experiences (for good or ill). And there are buffs and auteurs who swear by another numerologically titled movie once vilified for its lurid populism: *The Dirty Dozen* (widescreen, MGM/UA).

Robert Aldrich's 1967 war movie is foulmouthed, swagging and high in human destruction; even, we rather

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ROYAL FESTIVAL HALL	
10 Jun 7.30	ITZYAK PERLMAN Philharmonia Orchestra, Lawrence Foster (cond) Southwestern Corridor Overture; Two Romances with Raymond Gubbay
11 Jun 7.30	PAT WHEATY GROUP Philharmonia Orchestra, Yael Levi (cond) Brahme Academic Festival Overture, Violin Concerto No.3
12 Jun 7.30	VAMERAS-BAE PLAYS BRUCE With English Sinfonia, Oliver Gilmore (cond) Schubert Cy Des Teuile Lustschloos, B.64; Bruch Scottish Fantasy, Op.46; Arnold Vari for Clarinet, Op.122; Schumann Sym No.4, Op.120, 123, 50, 119, 113, 123, 50, 123, 50
13 Jun 7.30	ITZYAK PERLMAN Philharmonia Orchestra, Yael Levi (cond) Bernstein Candide Overture; Barber Violin Concerto; Tchaikovsky Violin Concerto
14 Jun 7.30	THE NEW YORK PHILHARMONIC Kurt Masur (Music Director) Strauss Metaphoraphor; Beethoven Symphony No.3 (Eroica) Sponcor: Culbank, 120, 126, 128, 128, 128 (ONLY) Harold Hall Ltd/SBC
15 Jun 7.45	THE ELITE CONCERTA A Celebration of David, Sherman Sherman's film <i>Elite</i> is the inspiration for a concert featuring Simon Fisher Turner & musicians provide a vibrant setting for extracts from Sherman's unreleased film <i>Elite</i> , 12.50
16 Jun 7.45	THE ZEPH. CHORUS Robert Max (musical director) Sandra Lee, Robert Brody, Bernstein Chichester Psalms with Jewish liturgical, popular & folk music in Hebrew, Yiddish, Ladino and English, 12.50, 11.11, 12.50
17 Jun 7.30	MIDSUMMER MELODIES, AYES & PARTNERS Samuel Sings Quartet, Cantant Players, Cantant Cantant, Works by Weill, Purcell, Elgar, Wilby, Rutter, Delius, Mooren, Vaughan Williams, Morley, 12.50

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Nigel Andrews

FASHION / HOW TO SPEND IT

Abandon ship for the catwalk

Portofino's seasonal nautical couture makes it hard to tell the real, rugged thing from the lounge-deck lizard, writes Avril Groom

At Portofino on Italy's Ligurian coast last month there was an object lesson in the workings of the sporty weekend wardrobe. For the *Regata di primavera*, the first big social event in the Italian yachting calendar, and the Santa Margherita regatta for vintage boats which preceded it, 3,000 people and more than 200 yachts crammed into what looks like the set for an Italian production of HMS Pinafore - a tiny cove with a theatrical backdrop of steep hills striding with cypresses, pines and turreted villas.

The pristine rig of the boats was outdone by that of the yachtsmen who, unlike the crumpled crews of Cowes who mostly live on board, seemed permanently pressed and sparkling. Even these pale beside the spectators partying in their villas or the town's little terracotta-washed piazzetta. They seldom set dockside-clad foot on a boat yet embraced wholeheartedly the nautical philosophy of navy, white and stripes.

Like much in Italian life, sailing is a family affair. A wealthy paterfamilias may own a boat but prefer to stay ashore, entertaining friends who translate the nautical leitmotif as fashion rather than sportswear.

Meanwhile the younger generation compete and crew in their smartly co-ordinated all-weather gear.

That dichotomy is a microcosm of the fashion world's current response to nautical influences, which may be news as technical sportswear, but have been loved by landlubbers ever since Chanel popularised the crisp appeal of naval style.

Her stripe-trimmed bathing-dresses and loose, sailor-collared tops with above-the-ankle skirts, in fabrics based on the sporting English wardrobe of her then lover, Boy Capel, first scandalised and then charmed Deauville in the last summer before the first world war.

Like many of her early ideas, they were based on the simplicity and freedom of men's clothes, a revolutionary concept for women brought up with whalebone stays, bustles and lace swags. After the war, Chanel's nautical style - a symbol of women's emancipation - spread far beyond the confines of seaside promenades and it has never disappeared.

Simplicity remains the source of its appeal, with the special allure of a femininity derived from masculine origins, and the crisp freshness of navy and white (or black and cream for nonconformists). These colours have outgrown their nautical roots and have become - tempered with denim, chambray, muted pink and flashes of red - the staple fare of weekend clothes for both women and men.

If your career involves a financially-demanding wardrobe, you may want your casual wear to cost less. A small selection of interchangeable



Her - silk jersey T-shirt, £136; wide black trousers, £278; sunglasses, £44; all from Caroline Charles, Beauchamp Place, SW8 and New Bond Street, W1. Straw hat, £25 from Racing Green, Regent Street, W1 or 0945-331177 for mail order. Black and cream striped, £125 from Ferragamo, Old Bond Street, W1. Men - pine green and grey stripe regatta polo-shirt, £26; pale green jeans, £78.



Her - cream linen waistcoat with navy trim, £54.95 from Laura Ashley. Navy polyester/modal tailored shorts, £65 from Virella branches. Navy and cream stripe T-shirt, £12.99; navy pinnacles, £14.99, both from Esprit. Scarf from Racing Green as above. Him - navy cotton shirt, £89; denim-look T-shirt, £26; striped cotton shorts, £49; cap, £25.

able basics in two colours goes anywhere with a few accessory changes. Those Portofino spectators are a model of pragmatism; they may want to look nautical there but, as shrewd fashion manipulators, they want the same clothes to give a different impression on a Sunday afternoon stroll down the Via Spiga in Milan.

Gilt buttons on blazers, flap-fronted trousers and big sailor collars are not in evidence; instead plain, fitted navy jackets (worn with copious gold jewellery), white jeans or cream chinos and crisp white

shirts are favoured, worn Portofino-style with boat shoes and a seadog's peaked cap, or with the urban sophistication of elegant pearlised pumps and designer sunglasses.

Classics for the long run include the navy jacket, jeans (which look smartest in this context - Wranglers' Paula shape is excellent for female hips) and a striped top which can as easily look Left Bank *garçonne* as seagull.

Fashionable nostalgia rears its head as most of the periods being revisited had, in Chanel's wake, their own nau-

tical slant. Play spot-the-decade in a puff-sleeved cross-over blouse and wide, turned-up trousers or a tie-up shirt and Capri pants; mixing genres rarely works.

Like most of Chanel's best ideas, nautical in its broadest sense has become a fashion axiom, as the influence of active sports increases, another element has entered the equation. More people want, for genuine or spurious reasons, to look like crewmen rather than spectators.

Technical fabric advances have made sports clothing lighter and more comfortable so it becomes attractive to casual wearers, and companies previously known for their design rather than weatherproofing ability are producing relatively high-tech garments, further blurring the line between sportswear and fashion.

Regatta sailors still crew in no-nonsense gear from labels such as Henri Lloyd, Helly Hansen and Musto. These are names approved by crewmen such as Matteo Balestrero and Franco Ferrari, who gallantly agreed to model between races, sailing Balestrero's 1923-vintage family boat to success in its class in the vintage race and winning invitations to crew in the main regatta. The same parka, fleece, and sea-going-sweater shapes now appear in ranges hitherto thought of as "fashion" and - again in nautical colours - form new basics in a more active weekend wardrobe.

The *Regata di primavera* was founded 14 years ago to promote the sporty yachting range from long-established fabric and fashion houses Ermengildo Zegna - an early player in fashionable sportswear and sports sponsorship. Others followed, including this year Louis Vuitton's range of kit-hugs and simple white linen separates and knits, designed by Kenzo, for their sponsored qualifying competition before the America's Cup.

Fabric developments have led to supple, lightweight weatherproofs, good in a casual context. Zegna's Microtene 10000, Mulberry's Gore-tex-lined watersilk from its all-weather range, Austin Reed's Sympatex and Aquascutum's lightly padded nylon all make high-tech styles aiming at both form and function.

The classic boating shapes that go with them, cable sweaters, polo-shirts and drawstring shorts or trousers - have become so much a part of men's casual wardrobes that most mainstream men's collections, including Debenhams' Mainsall range, have them.

So even in Portofino it is becoming hard to tell the real, rugged thing from the lounge-deck lizard - though anyone now sporting New Zealand's lurid lucky red socks is likely to be more into function than fashion. Image-conscious yachtsmen still believe the only proper legwear items are muscled and a tan.



Her - navy wool jacket, £199 from Rodier, Brompton Road, SW1, Whiteleys, W2 and Bentalls, Kingston. Stripe cotton knit top with plain wrap by J. Taylor, £38.99 from Debenhams. Cream wool gabardine trousers, £165 from Burberry, Regent Street, W1, Haymarket, SW1, Edinburgh and Aberdeen. Beret, £25 from Ralph Lauren, New Bond Street, W1. Loafers by Cole-Haas, £179 from Liberty, Regent Street, W1. Him - navy wool/cotton cardigan, £239; navy check brushed cotton shirt, £29; cream corded cotton trousers, £89 from Timberland, New Bond St, W1 and Harrods. All men's clothes from a selection from the Yachting range at Ermengildo Zegna, Shelton Street, WC2 and New Bond Street, W1.

Photographed by Aldo Martelli on Filica at Santa Margherita, Italy

Rejected art recalls vanished Paris

Quality marks many works declined by the RA, writes Lucia van der Post

Every year, thousands of hopeful artists submit in the region of 14,000 paintings to the committee which decides which work of art will, and which will not, make it into the Royal Academy's Summer Exhibition. As only about 800 end up on the walls, the remorseless logic of these things tells us that that leaves at least 13,000 paintings looking for a sympathetic home.

Since 1991, the Llewellyn Alexander Gallery on London's South Bank has established itself as the place to look for all those that didn't quite make it. It calls its exhibition Not The Royal Academy 1995 hut in tone it harks back to 19th century Paris when Manet and Sargent rebelled against the French Academy and mounted their own exhibition which they called the Salon des Refusés.

Not that the Llewellyn Alexander Gallery offers its own gallery space in any sense of rebellion - it is much more by way of giving a sympathetic platform to those whose paintings may be of very high quality but simply, by dint of number, did not make it into the summer exhibition.

Of the 13,000 odd paintings rejected by the official committee, the Llewellyn Alexander Gallery makes its own choice of about 1,200 for its exhibition. Most of the work is figurative or representational, but there



'Flowers by the Window' by Ljerk Niers, oil, 19in by 15½in, £450

is also a good choice of semi-abstract and abstract work. There are oils and watercolours, miniatures and etchings. For those looking for an interesting piece for their homes, it is a marvellous chance to see the work of a wide variety of artists - some quite well-known such as Wilham Mundy and David Carpanini (both of whom have other paintings in this year's Royal Academy exhibition), others very young and just beginning. Names among the younger

painters that the Llewellyn Alexander Gallery thinks readers might particularly look out for include Oliver Canti, who does animal scenes in oil, Christopher Keays who does strongly Cézanne-influenced landscapes and woodland scenes, and Adrian Bartlett's abstract pictures.

Prices seem extremely reasonable - you could buy a miniature for as little as £80, a small oil or watercolour from £100, while for £300 you could find a good-sized oil. Subject



'Lace Curtains' by Karen Kery, oil on canvas, 48in by 39½in, £200

matter ranges from strong floral still-lives, landscapes, naive city scenes, semi-abstract landscapes to portraits and animals. All the pictures are shown in rotation, and as soon as one sells a replacement is put up on the walls. In addition, all the pictures come ready-framed.

The exhibition runs from now until September 9 at Llewellyn Alexander Gallery (opposite the Old Vic Theatre), 124-126 The Cut, Waterloo, London SE1 8LN. Open from Mon-

days to Saturdays from 10am-7.30pm, with drinks being served from 6.30 onwards, giving the gallery something of the air of being in the middle of a perpetual vernissage.

The gallery is giving 6 per cent of each sale to Barnardo's - the children's charity which once used to provide homes for orphans but these days finds homes for children who cannot live with their own parents, as well as providing day centres for children living in poverty or with disabilities.

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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345
 ● Crea Oratorio Choir, with soloists Charlotte Margiono, Simon Roberts, Charles van Tassel and Joke de Vin. Ira Spradling conducts Elias and Mendelssohn; 8.15pm; Jun 15
 ● Royal Concertgebouw Orchestra, with violinist László van Zseden. Zoltan Pesko conducts Rihm and Stockhausen; 8.15pm; Jun 17

GALLERIES

Beurs van Berlage Tel: (020) 628 0284
 ● Salvador Dali - Sculptures and illustrations: retrospective of sculptural work from the 1930's onwards; to Aug 20
 Gemeentearchief Amsterdam Tel: (020) 672 0202
 ● Mahler in Amsterdam: exhibition on the life and works of Mahler with an assortment of manuscripts, letters, scores and films; to Jun 11
 Stedelijk Tel: (020) 5732 9111
 ● Notion of Conflict: 13 contemporary Canadian artists contemplating both mental and physical notions of conflict; to Jun 11
 Van Gogh Museum Tel: (020) 570 5200
 ● In Perfect Harmony, Picture and Frame 1850-1920: exhibition of 55 paintings in their original frames brought together by art historian Eva Mendgen. Artists include Van Gogh and Klimt; to Jun 25

OPERA/BALLET

Het Muziektheater Tel: (020) 551 89 22
 ● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 10, 13, 16

BARCELONA

CONCERTS

Palau de la Música Catalana Tel: (93) 269 10 00
 ● Swiss Romantic Orchestra: with soprano Angela Maria Blasi and baritone Andreas Schmidt. Armin Jordan conducts Brahms' "German Requiem"; 8.30pm; Jun 16

GALLERIES

Fundació "la Caixa" Tel: (93) 404 60 73
 ● Postwar Europe, 1945-1965, Art After the Flood: exhibition which aims to present an extensive overview of European art in the 20 years after World War II. There are 527 works by 270 artists in four sections: architecture and design, photography, painting and sculpture; to Jun 30
 Museu Picasso Tel: (93) 319 69 02
 ● Tatlin: exhibition of works by the Russian painter, architect, designer and scenographer who was associated with the Constructivist and Russian Avantgarde movements; to Jun 25

BERLIN

CONCERTS

Konzert Haus Tel: (030) 309 21 02/ 21 03
 ● Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and Mozart; 8pm; Jun 15, 16, 17
 ● Radio Symphony Orchestra Berlin: with soprano Celine Lindor, alto Jane Henschel and tenor Donald George. Rafael Frühbeck de Burgos conducts Mendelssohn; 7.30pm; Jun 16
 Staatsoper Unter den Linden Tel: (030) 2 00 4762
 ● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerloher. Pierre Boulez conducts Wagner, Bartók and his own compositions; 4pm; Jun 17

GALLERIES

Deutsches Historische Tel: (030) 215 020
 ● Pictures and References to German History: exhibition with more than 2000 paintings, coins, materials and other artefacts that document the history of Germany; to Dec 1 (Not Sun)

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01
 ● Der Rosenkavalier: by Strauss. Conductor Jiri Kout, production by Götz Friedrich; 7.30pm; Jun 13, 15
 ● Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7.30pm; Jun 16
 ● Olegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 7.30pm; Jun 14, 17 (5pm)
 ● The Masked Ball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30pm; Jun 12
 ● Tristan und Isolde: by Wagner. Conducted by Jiri Kout and produced by Götz Friedrich; 5.30pm; Jun 11
 Staatsoper Unter den Linden Tel: (030) 2 00 4762
 ● Aida: by Verdi. A new production conducted by Zubin Mehta; 6.30pm; Jun 11

THEATRE

Freunde der Italienischen Oper Tel: (030) 991 1211
 ● The Realisation of the Five Year Plan: various acts including mime and



Anne Sofie von Otter in Orpheus in Geneva

comedy to celebrate the theatre's fifth anniversary. In English; 4pm; from Jun 15 to Jun 17

BRUSSELS

CONCERTS

De Munt/La Monnaie Tel: (02) 218 22 11
 ● Juliane Banse: soprano accompanied by pianist Wolfram Rieger; 8pm; Jun 18

OPERA/BALLET

De Munt/La Monnaie Tel: (02) 218 22 11
 ● The Masked Ball: by Verdi. Conducted by Antonio Pappano and produced by Guy Joosten. Soloists include Franco Fara/Richard Margison, Edouardo Tumbagay/William Stone and Elena Zarembo; 8pm; Jun 14, 15, 17

COLOGNE

CONCERTS

Kölner Philharmonie Tel: (0221) 2801
 ● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerloher. Pierre Boulez conducts Debussy's "Trois Nocturnes", Bartók's "Concert for Piano and Orchestra" and his own "La Fiasse Nuptiale"; 4pm; Jun 17
 ● Felicity Lott: soprano with pianist Graham Johnson in a programme that includes Schumann, Wolf and Gounod; 8pm; Jun 14
 ● New York Philharmonic: Kurt Masur conducts Beethoven's "Symphony No. 7" and Shostakovich's "Symphony No. 5"; 8pm; Jun 10
 ● Oleg Maisenberg: pianist plays Brahms; 4pm; Jun 11

FRANKFURT

GALLERIES

Städtel Tel: (069) 60 50 98 1 15
 ● Gerhard Richter - Ilya Kabakov: photographs; to Aug 27

OPERA/BALLET

Oper Frankfurt Tel: (069) 23 60 61
 ● Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rumsdatt and produced by Werner Schreier. Soloists include Valeri Alexeev, Ryszard Karczykowski and Christine Ciesinski; 7.30pm; Jun 11, 15

GENEVA

CONCERTS

Grand Theatre de Geneve Tel: (022) 311 22 11
 ● Orpheus: by Gluck, French adaptation by Pierre Louis Molins. Conducted by Jeffrey Tate, produced by Andreas Hornök. Soloists include Anne Sofie von Otter, Barbara Bonney and Elizabeth Futral; 8pm; Jun 12, 15

LONDON

CONCERTS

Barbican Tel: (0171) 638 8891
 ● London Concert Orchestra: with pianist Paul Lewis. David Arnold conducts a selection of popular classics; 8pm; Jun 10
 ● Royal Philharmonic Orchestra: with violinist Jonathan Carey, Yehudi Menuhin conducts Mozart, Takemitsu and Brahms and Sir Peter Maxwell Davies conducts the London premiere of his "Time and the Raven: United Nations Overture", written for the 50th anniversary celebrations of the United Nations; 7.30pm; Jun 14
 ● The Wagner Legacy: Yondani Butt conducts the Philharmonia Orchestra to play operatic highlights by Wagner; 7.30pm; Jun 12
 Royal Festival Hall Tel: (0171) 928 8800
 ● Itzhak Perlman: violinist with the Philharmonia Orchestra. Lawrence Foster conducts Beethoven; 7.30pm; Jun 10
 ● Itzhak Perlman: with the Philharmonia Orchestra. Yoel Levi conducts Brahms' "Academic Festival Overture" and "Violin Concerto No. 3"; 7.30pm; Jun 13
 ● Itzhak Perlman: Yoel Levi

conducts Bernstein, Barber and Tchaikovsky; 7.30pm; Jun 15
 ● New York Philharmonic: Kurt Masur conducts Strauss' "Metamorphosen" and Beethoven's "Symphony No. 3"; 7.30pm; Jun 16

GALLERIES

Barbican Tel: (0171) 638 8891
 ● George Rodger: retrospective of approximately 250 pictures, including WWII photographs to Aug 27
 Hayward Tel: (0171) 261 0127
 ● Landscapes of France: exhibition offering a new perspective on French Impressionist painting with works by Monet, Renoir, Pissarro, Sisley, Cézanne and Gauguin; to Jul 28
 National Portrait Tel: (0171) 306 0055
 ● Richard Avedon: large scale photographic portraits and fashion photographs; to Jun 11
 Riverside Studios Tel: (0181) 741 2251
 ● Yevgeny Khalel: war photographs by artist who was employed by the TASS news agency during WWII; to Jun 17
 Royal Festival Hall Tel: (0171) 928 8800
 ● Art Unlimited: multiples from the 1960's and 1990's including work by Damien Hirst and Jenny Holzer; to Jun 11
 Serpentine Tel: (0171) 402 0343
 ● Mark Wallinger: exhibition that surveys the full range of Wallinger's painting, photography, sculpture, installations and video; to Jun 11

OPERA/BALLET

Royal Opera House Tel: (0171) 304 4000
 ● Billy Budd: by Britten. A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John Dwyers and Rodney Gilby/Peter Coleman-Wright; 7.30pm; Jun 13, 15
 ● La Bohème: by Puccini. Conducted by Jan Latham-Koenig and directed by John Copley. Soloists include Cynthia Haymon, Nancy Gustafson and Roberta Alagna/Tito Beltrán; 7.30pm; Jun 10 (7pm)

THEATRE

Ambassadors Tel: (0171) 836 6111
 ● The Killing of Sister George: by Frank Marcus. With Miriam Margulies, Serena Evans and Josephine Tawson; 8pm; Donmar Warehouse Tel: (0171) 389 1732
 ● Significance: written and directed by Terry Johnson. Cast includes Frances Barber, Alan Armstrong, Jack Klaff and Ian Hogg; 8pm; (Not Sun) National, Cottesloe Tel: (0171) 928 2252
 ● Absolute Hell: by Rodney Ackland, directed by Anthony Page. Bohemian life in a London drinking club in 1945. Cast includes Judi Dench and Greg Hicks; 7.30pm; Jun 12 (2.15pm), 12, 13 (2.15pm)
 National, Olivier Tel: (0171) 928 2252
 ● Under Milk Wood: by Dylan Thomas. Directed by Roger Michell and stars Robert Blythe; 7.15pm; Jun 12, 13 (2pm), 14
 ● Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annie Castledine; 7.15pm; Jun 10 (2pm)

LOS ANGELES

GALLERIES

County Museum Tel: (213) 857 6000
 ● Kandinsky: Compositions: six of the seven surviving "Composition" paintings are presented along with 25 preliminary studies which trace the artist's evolution from figurative to abstract painting; to Sep 3

MUNICH

GALLERIES

● Naples: works produced between 1988-90 by the action artist Ernest Pignon-Ernest that are influenced by 17th century Neapolitan artists such as Stanzione, Caravaggio and Ribera; to Jun 18 (Not Sun)
 Haus der Kunst
 ● The Splendour of The Farnese: exhibition that brings together art

collected by the Farnese dynasty in the Italian Renaissance with statues, medals, coins and more than 130 paintings by the likes of Parmigianino, Brughel, Sebastian del Piombo and Titian; to Aug 27
 Villa Stuck Tel: (089) 45 55 51 0
 ● The Tyranny of The Beautiful: architecture under Stalinism; to Jul 9

NEW YORK

GALLERIES

Guggenheim Tel: (212) 423 3652
 ● George Baselitz: approximately 100 paintings and several sculptures spanning three; to Sep 17
 Guggenheim Soho Tel: (212) 423 3652
 ● Gary Hill: exhibition that examines the artist's wide selection of video installation work; to Jul 20
 Metropolitan
 ● An Ancient Egyptian Bestiary: animals in Egyptian art from the Predynastic to Roman period; to Oct 15
 ● Art and Empire: treasures from Assyria in the British Museum, London. The exhibition includes reliefs, royal statuary, fine metalwork, ivories and tablets dating from the ninth to seventh centuries BC; to Aug 13
 Museum of Modern Art Tel: (212) 708 9480
 ● Helen Chadwick: Bad Blooms: the English artist's most recent photographic series comprising of 13 large photographs of flowers in a variety of viscous liquids; to Jul 1
 ● Paul McCarthy: video end work installation; to Jul 18
 ● United Nations in Perspective: architectural development of the United Nations building; from Jun 15 to Sep 26

THEATRE

Belasco Tel: (212) 239 6200
 ● Hamlet: by Shakespeare. Starring Ralph Fiennes in a limited run; 8pm; to Jul 22 (Not Mon)
 Ethel Barrymore Tel: (212) 239 6200
 ● Indiscretions: based on Jean Cocteau's "Les Parents Terribles" in a new translation by Jeremy Sams and starring Kathleen Turner, Eileen Atkins and Roger Rees; 8pm; (Not Mon) Joseph Papp Public Theatre Tel: (212) 598 7150
 ● The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8pm; (Not Mon) Plymouth Theatre Tel: (212) 239 6200
 ● Chronicle of a Death Foretold: book by Gabriel Garcia Marquez, adapted, choreographed and directed by Graciela Daniele; 8pm; from Jun 15 (Not Mon)
 Theater Four Tel: (212) 757 3800
 ● After-Play: written and starring Ann Mearns. A re-union of four friends in New York; 8pm; to Jun 30 (Not Mon)

PARIS

CONCERTS

Châtelet Tel: (1) 40 28 28 40
 ● The Orchestra and Chorus of Les Arts Florissants: with soprano Susan Bullock, alto Susan Bickley, tenor Mark Padmore and Bass Thierry Felix. William Christie conducts Beethoven; 8pm; Jun 15
 Champs Elysées Tel: (1) 49 52 50 50
 ● National Orchestra of France: with soprano Monica Pick-Hieronymi, mezzo-soprano Nadja Michael, tenor Thomas Dawid and bass Michael Volle. Charles Dutoit conducts Beethoven's "Symphony No. 1" and "Symphony No. 9"; 8pm; Jun 14, 15
 ● Wanderer Trio: comprising of pianist Vincent Coq, violinist Guillaume Sutre and violoncellist Raphaël Pidoux plays Mendelssohn, Smetana and Dvořák; 8.30pm; Jun 13

GALLERIES

Centre Georges Pompidou Tel: (1) 42 77 12 33
 ● Constantin Brancusi: first ever French retrospective of the Romanian born sculptor and painter who spent fifty years in France. The show offers a chronological and thematic look at 103 sculptures, 38 drawings and 55 photographs; to Aug 21
 ● Edouard Boubat: photographic works; from 14 to Sep 11 (Not Sun)
 ● Ilya Kabakov: installation by the Ukrainian born artist; to Sep 4
 Galerie Tendances Tel: (1) 42 78 81 73
 ● George Grosz: drawings by the German artist from 1920-32; to Jun 24 (Not Mon)
 Louvre Tel: (1) 42 60 39 26
 ● Hans Memling: exhibition of paintings by the Dutch master to commemorate the 500th anniversary of his death; to Aug 14
 Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
 ● Marc Chagall: exhibition that charts the development of Chagall's distinctive style; to Sep 17
 Musée du Petit Palais Tel: (1) 42 65 12 73
 ● Carthage: history, its impact and resonance; to Jul 2

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40
 ● The Cunning Little Vixen: by Janáček. A new production conducted by Sir Charles Mackerras and produced by Nicholas Hytner. Soloists include Thomas Allen, Libuse Marová and Richard Novák; 7.30pm; Jun 11 (5pm)
 Champs Elysées Tel: (1) 49 52 50 50
 ● Ezio: by Handel. Conducted by Robert King, directed by Stephen Medcalf and with the King's Consort. Soloists include James Bowman, Susan Grifton and Dominique Vasse; 7.30pm; Jun 10
 Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
 ● Les Capulet et les Montaigu: by Bellini. Conducted by Bruno Campanella and produced by Robert Carsen. Soloists include Jeffrey Wells, Cecilia Gasdia and Jennifer Lamore; 7.30pm; Jun 12

THEATRE

Théâtre de Nesle Tel: (1) 46 34 61 04
 ● Faith Healer: by Brian Friel. Alcoholic faith healer in Ireland. Cast includes Les Clack, Patricia Kessler and William Doherty; 8pm; to Jun 14
 ● Zoo Story: by Edward Albee, directed by Bob Friel. Part of the English language theatre festival; 9.30pm; to Jun 24

SAN FRANCISCO

GALLERIES

de Young Museum Tel: (415) 863 3330
 ● Birthplace of the United Nations: exhibition of historic objects and fine art related to the signing of the United Nations charter in San Francisco 50 years ago; to Jun 28

VIENNA

CONCERTS

Gesellschaft der Musikfreunde Tel: (1) 505 13 63
 ● Les Arts Florissants: William Christie conducts soprano Susan Bullock, mezzo-soprano Susan Bickley and tenor Marc Padmore to play Beethoven; 7.30pm; Jun 14
 ● Stefan Vladar: pianist conducts Beethoven; 7.30pm; Jun 13
 Wiener Konzerthaus Tel: (1) 712 12 11
 ● Maurizio Pollini: pianist plays Schumann, Scarlatti and Chopin; 7.30pm; Jun 15
 ● South Western Radio Orchestra: with soprano Julie Moffat. Ingo Metzmacher conducts Webern and Mahler; 7.30pm; Jun 12
 ● Viennese Symphony Orchestra: with pianist Radu Lupu. Kurt Sanderling conducts Beethoven and Shostakovich; 7.30pm; Jun 10
 ● War and Peace: by Prokofiev. Concert performance with Pinchas Steinberg conducting Austrian Radio Symphony Orchestra. Soloists include Elena Prokina and Marina Shutova; 7.30pm; Jun 13

GALLERIES

Kunsthaus Tel: (1) 587 96 66
 ● Buddha in India: exhibition charting the development of early Indian art from the Maurya dynasty 320-185 BC to the fifth century Gupta period; to Jun 15
 Kunsthofbauhaus Austria Tel: (1) 711 91-57 31
 ● Neorealism: 100 paintings and graphics by the likes of Franz Leher, George Jung and Ernst Nepe; to Jun 11

WASHINGTON

GALLERIES

Corcoran Tel: (202) 638 3211
 ● Alfred Stieglitz's Camera Notes: exhibition featuring 88 photographs and 3 silver prints used in Camera Notes, a photographic magazine edited by Stieglitz and published by the Camera Club of New York between 1897-1903; to Jul 9
 ● Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; from Jun 11 to Sep 4
 ● The Breakthrough Years: more than 40 paintings by one of the pioneers of Abstract Expressionism, Arshile Gorky; to Sep 17
 National Museum of Women in the Arts Tel: (202) 785 5000
 ● Sogonista Angessola (1532-1625): a renaissance woman. The first showing in the US of 24 works. The exhibition includes intimate family portraits exemplifying the times in which she lived; to Jun 25
 Phillips Collection Tel: (202) 387 2151
 ● Dorothy Lange: retrospective of the artist known for her documentary photography; to Aug 27
 Renwick Gallery Tel: (202) 357 1718
 ● Common Beauty in Common Objects: 85 African-American artists drawing from the artistic and cultural legacies of traditional African art; to Jun 18

THEATRE

Folger Theater Tel: (202) 544 7077
 ● The Merchant of Venice: by Shakespeare. Commemorating the 400th anniversary of the play, this production is directed by Joe Banno; to Jun 25
 Kennedy Center Tel: (202) 467 4800
 ● Kismet in America: Parastolka. Part Two of the Tony Kushner award winning play about politics, sex and religion. Stars Jonathan Hadary; 7.30pm; to Jul 9 (Not Mon)
 ● Crazy for You: by Ken Ludwig. Tony award winning musical based around 15 Gershwin standards; 8pm; to May 31 (Not Mon)
 ● The Complete History of America (Abridged): by the Reduced Shakespeare Company. History of America, from Spain 1492 to the election of Bill Clinton, all in 90 minutes; 7.30pm; to Jul 3 (Not Mon)
 Studio Theater Tel: (202) 332 3300
 ● Bessie's Blues: written and directed by Thomas W. Jones II. A musical portrait of blues legend Bessie Smith; 8pm; to Jul 9
 Woolly Mammoth Tel: (202) 488 3300
 ● Wanted: book and lyrics by David Epstein and Al Carmine. Musical from the 70's directed by Jeff Church; 8pm;

ZURICH

GALLERIES

Kunsthaus Zürich
 ● Moving Out: photographs by the American artist Robert Frank; to Jul 10
 Rietberg Zürich Tel: (01) 202 45 28
 ● African Sculpture: 500 year old sculpture from West Africa; to Sep 3

CHESS

Carry Kasparov fought back this week from the setbacks at Amsterdam which caused his world rating to drop from the magic figure of 2800.

The superstitious Kasparov regards 13 as his lucky number; he was born on the 13th and is the 13th world champion. But 2,800 rating points is more rationally significant - 20 ahead of Bobby Fischer, previously ranked the all-time No.1.

After Amsterdam, Kasparov was below 2,800, but he was impressive this week, unbeaten at Novgorod. Nigel Short had one of his best ever tournaments and finished joint second.

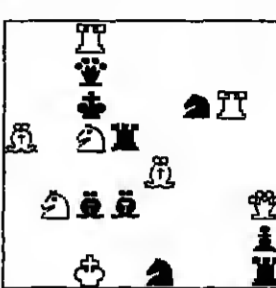
Kasparov was well prepared and ready to reveal new ideas. Here, he improves on a line which once spoilt Short's championship hopes.

(G. Kasparov, White: R. Vaganian. Black: Qeeco's Gambit Declined.)
 1 d4 e6 2 c4 d5 3 Nc3 Be7 4 Nf3 Nf6 5 Bf4 0-0 6 e3 c5 7 dxc5 Bxc5 8 Qc2 Nc6 9 a3 Qa5 10 0-0 Be7 11 h4! Spielman v Short, match 1988, went 11 g4 and White broke through down the g file; but Kasparov's plan looks simpler.

He reckons that threats to h7 will force Vaganian to advance the weakening g7-g6, after which White will attack the

al-h8 diagonal.
 dxc4 Later, Kasparov v Ehrvest improved by Rd8, 13 Bxd6 b6 13 Ng5 Baf6 14 Nc4 g6 15 Nxf6+ Bxf6 16 Ne4 Be7 17 Bxa6 Qxa6 18 Kf1 Qh7? Black's defence is difficult but Ra8 at once seems better. 19 h5 Ra8 20 hxe6 Nf4 A miscalculation which permits a cast finish, but hxe6 21 Qc3 f6 22 Qh3 is also hard to meet.
 21 gxf7+ Ehf6 22 Be6+ f6 23 Nxf6 Rxf6 24 Bxf6+ Resigns. If Rxf6 25 Qc3! Rxc3 26 Rd8+ wins.

Chess 1079
 A test of vision by the great Sam Loyd: (a) In how many ways can White mate in one



move? (b) How many one-move mates has Black?

Solution, Page XV
 Leonard Barden

BRIDGE

My hand today from match-pointed pairs shows that counting is all-important.

N
 ♠ Q 10 7 3
 ♥ A J 6 3
 ♦ K 8 5 4
 ♣ 8 6 4
 ♠ 9 5 2
 ♥ 10 7 6 5 3
 ♦ 10 9 2
 ♣ 8
 ♠ 10 9 7 2
 ♥ J 6 3
 ♦ A K J
 ♠ Q J 8 2
 ♥ K 7 5 4
 ♦ A Q
 ♣ A

With neither side vulnerable, South was dealer and opened the bidding with two no-trumps. North's raise to six no-trumps concluded the brief auction.

West led the two of clubs and declarer surveyed the position. There were 10 tricks on top, with another easily establishable in hearts. The 12th would have to come from diamonds.

Taking East's club knave with his ace, South cashed four spade tricks, discarding the

four of diamonds from hand, while West and East threw hearts. Cashing ace of hearts, declarer crossed to his queen of clubs and led the heart queen. Taking with his king, West continued with ten of clubs. Winning with dummy's king, South crossed to his diamond king and cashed the heart knave, on which West discarded the diamond nine and dummy the eight of clubs.

Now, declarer could count West's hand. He had started life with three spades, four clubs and three hearts and, therefore, with three diamonds. In that case, he had only one diamond left and East, who had been dealt two diamonds, now held one. Victory was in sight.

South crossed to the diamond ace, dropping the queen from East, and cashed the knave for his 12th trick. A good performance by South.

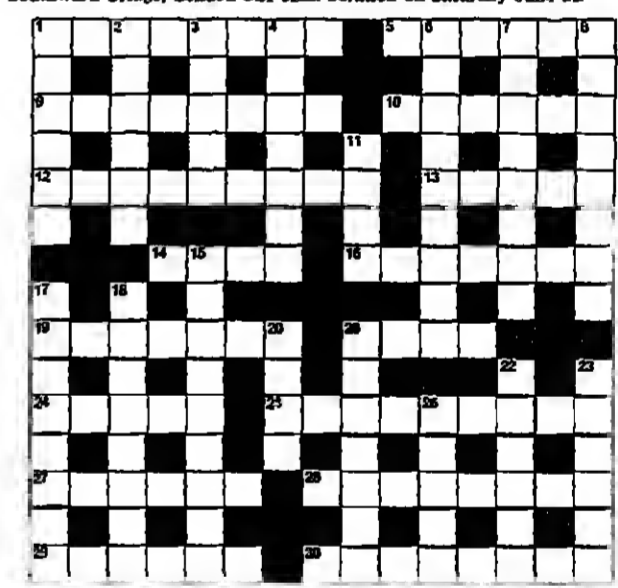
We can picture many declarers taking the diamond finesse and going down.

E.P.C. Cotter

CROSSWORD

No. 8,784 Set by CINEPHILE

A prize of a classic Pelikan Souvenir 800 fountain pen, inscribed with the winner's name for the first correct solution speeded and five runner-up prizes of 25 Pelikan vouchers. Solutions by Wednesday June 21, marked Crossword 8,784 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday June 24.



Name: _____ Address: _____

ACROSS
 1 Sound of passing time: O for a way of showing the odds (8)
 5 Service to the year of our Lord as target for publicity (6)
 9 The art of suffering for money (6)
 10 The art of speculation about the total (6)
 12 The art of lustre cap making (6)
 13 The art of putting one blood type by another (6)
 14 The art that requires one to listen (4)
 15 The art that turns east? (7)
 16 No-score draw would embrace (6)
 17 Warbler accompanying capital sentence (8)
 24 Branch after commission? (6)
 25 Beams that diffuse in the sauna (5,4)
 27 The art came in otherwise (6)
 28 I get fixed in a minute with cuts (8)
 29 The art of the essay by American writer (6)
 30 Vehicle back on the gold standard? It's a gamble (8)
 DOWN
 1 Awful pity holy man has to work with his fingers (6)
 2 Exclusive group, one of these without brains (6)



Peter Aspdén

Fashion as art? You're joking

The problem arises when this trivial industry gets ideas above its station

In spite of the easy brashness of its florid vocabulary, fashion journalism is a difficult art to master. It shares, with sports writing, the tricky task of having to treat with utmost seriousness subjects which we know to be inherently trivial.

It was an Italian football manager who once described his sport as the most important of all the unimportant things, but such a verdict could equally apply to fashion. We know it is superficial, we know true beauty lies within, but why not have some fun, and turn each other on, and make a lot of money along the way?

The problem arises when fashion gets ideas above its station: when it compares itself to an art form,

when those who work in the industry – and what a nasty, pusillanimous industry it can be – make the mistake of thinking that they are important people.

For I would rather hear the views of a professional footballer on the Net Book Agreement than listen to yet another petulant supermodel discussing his or her "getting out of bed" fee, or a Page Three lensman coming over all Cartier-Bresson when he should be taking the money and running, fast and far.

Helmut Newton is one of the artier of our fashion photographers. He specialises in legs: women's legs, long, sleek, alluring and usually adorned with unrealistically high-heeled shoes. "High

heels make a woman look sexy and dangerous," says Newton, and there are millions of men and women who evidently agree.

To illustrate his apparently uncontroversial point, Newton recently shot a photo-spread for the American edition of *Vogue*. His theme was high heels, so, bearing his views in mind, he not unreasonably used the extraordinarily-shaped Nadja Auermann to model his fantasies.

Auermann, you see, has the longest legs in the world (well, who is measuring?) and makes a healthy living from them.

But Newton was not content to rely on these remarkable limbs to make his point. No, something extra was needed, just to add that

spicy touch of modish irony to the whole affair.

And then he had a terrific idea: why not depict her as disabled? Shoot her in a wheelchair, so we might admire her "Chanel stiletto slingshots" (about \$1,030) from a totally fresh perspective; show her limping with a hideous surgical brace (lots of chrome and bolts, very sexy) and a walking stick (dominatrix or what?). Let her leave herself up the stairs on crutches, give her a lumpy *benzo* to carry her helpless body; finally, why not show her with one leg completely detached from her body? As long as we see the shoes, after all.

And just in case we thought all this was gratuitous, lob in the

killer joke: "A woman who wears these kinds of shoes has a tough time walking by herself," says Helmut Newton. Aha, very amusing, yes indeed.

I will refrain from making further comment on Newton's high-heeled photo-spread. I could do no better than the magazine's correspondents in subsequent issues who talked of what it is like to have a loved one paralysed in an accident, or suffering from cerebral palsy. Their letters are heart-rending, and should be branded across the soles of Newton's feet.

But I will limit myself to this observation: artists, in western society at least, are accustomed to working outside the normal parameters of taste or moral judg-

ment, with no responsibilities and no duties. That is as it should be. The freedoms they enjoy have been won at considerable cost to many of their ancestors and they are vital to the maintenance of a mature, open civilisation.

But fashion is not art. It is an industry, it is a place of fun, it is only one of the most important of all unimportant things. At its worst, it already manages to mock those who are not young, rich and beautiful, so perhaps we should not be too surprised when it turns its sights on the diseased and the disabled.

But the next time someone talks to me about the refined, sophisticated world of *haute couture*, you will forgive me if I laugh loudly.



Private View / Christian Tyler

Ariadne of the moral maze

Onora O'Neill is a moral philosopher whose thinking is at the cutting edge of medical ethics

As medicine advances, the more bits and pieces of human being it seems to need.

There are archives where snippets of us are preserved for medical posterity; freezers where brains and foetal tissue are kept for research; and a growing chain of banks where organs, skin, eggs, sperm, bone and blood lie on deposit for transplant.

Can we draw a line between the use and abuse of human spare parts? What is wrong, for instance, with selling one of your own kidneys, or a useful bit of an ailing granny? Why does the law punish those such as the London art gallery which in 1987 put on a public display of human embryos?

The answers to such questions may sometimes seem obvious. But they are far from simple – and ethics committees are mushrooming as fast as human tissue banks.

Dr Onora O'Neill is not a medical doctor, but a moral philosopher. In a secular age it is to her and others like her that we mainly look for answers.

Recently appointed principal of Newnham College, Cambridge, O'Neill has advised the British Home Office on laboratory animals; sits on an international monitoring committee for the human genome project, and is a member of the independent Nuffield Council on Bioethics whose report on the use of human tissue was published in April.

As one might expect, O'Neill has the reputation of being formidably intelligent. It shows in the academically precise way she talks, even about small matters. She hides her impatience with slower minds by uttering little hums of encouragement.

I asked her what contribution a philosopher could make to medical dilemmas and ethical conundrums generally.

She laughed: "Perhaps suggesting that we don't have quite as conclusive arguments as people tend to think we have."

O'Neill has a deep suspicion of what she calls "the large apparatus", by which she means all-purpose problem-solving systems.

But isn't that why philosophers are recruited to these committees – to feed problems into the mill, turn the handle, and get the answer?

"I think really the Socratic image is more to the point," she said "where what the philosopher may contribute is prophylactic rather than a total solution."

"If you ask 'Wouldn't someone with a good deal of common sense' the answer probably is: they might be; but I may have read some bits which are useful."

With this modest disclaimer the philosopher hoisted a leg on to the sofa and struck a *Cleopatra* attitude.

O'Neill is not, paradoxically, one of that new breed of "applied philosophers" let loose on medical ethics. Indeed, she is suspicious of them.

She is a theoretician who nonetheless takes a very pragmatic view of her assignment. She looks for starting points that are modest but cut deep; and she warns against arguments based on "fantastic" premises. She looks for principles that do something, not merely sound good.

Was human dignity a principle? "It's a good Kantian phrase with lots of resonance. But is it a working part of the argument? Generally no. There's quite a lot of fluffy writing on bioethics and the appeal to human dignity is a very standard move."

"I don't find it a useful move, when there are other moves I could make more precisely. Then I might use it as a label at the end. Respecting human dignity could mean not using people as mere means, as, for example, walking banks of transplant organs."

What is to be done about the grey areas of which medicine is so full?

"One shouldn't try to find principles that will neatly divide through a grey area, because you can always invent another case which has a particular wrinkle."

"You should look at the institutions and structures to enable people to handle the cases. Principles are most useful for professionals, in codes or legislation."

"Here you begin to get differentiation and a common understanding among professionals how to interpret or apply them."

Permissive but thorough, the Nuffield report on human tissue may come to be seen as a model document.

Among its recommendations is that patient consent to treatment, properly explained, should be taken to include consent to disposal, storage, and other ethical uses (which it defines) of tissue removed.

The patient "abandons" his claims to ownership, but human parts do not become commodities. It argues strongly against allowing a market in blood and organs, and so-called "rewarded" gifting. But institutions should be allowed

to recover their costs. Tissue banks should continue to be non-profit, and registered.

Are these sane-sounding conclusions based on anything more than common sense?

"It's easy to be vague and lofty and speak out about 'the commodification of the human body', 'lack of respect for human dignity', 'violation of human rights'. Every-

one says 'Yes, yes, yes' and bows. "But if you want to be relatively precise – and I would be the first to say none of this is very precise – then that is much, much harder."

So what is the starting point?

Not, she says, patients' rights, the currently fashionable yardstick. One must look at the other end – the business end – because a patient's rights "are only as good as other people's performance of their duties."

Rights are important, but they are conferred – and have to be delivered. "The definitional question is: who has the obligation to satisfy them?"

Talk of inalienable rights is dangerous rhetoric which leads to lazy thinking. O'Neill recalled being chastised by a "sweet" Spanish delegate at a World Health Organisation conference when she criticised the notion of a "right to health".

"There is a lot of rhetoric and, of course, you have to hear with it while people think that you are a wicked woman because you have cast doubt on their lovely rhetoric. I

am a realist, but an optimistic realist."

This scepticism about rights, along with a passion for clarity, she inherited from her father, the late Sir Con O'Neill, a prominent diplomat who led the negotiating team for Britain's entry into the EEC.

O'Neill is equally sceptical of utilitarianism, the peculiarly British ethical theory developed by Jeremy Bentham and J.S. Mill whose maxim is that one should aim for the greatest happiness of the greatest number.

Utilitarianism is very influential in politics and public life, she said, because in its "soft" form it is comfortably plausible.

The trouble comes when one attempts to sharpen it up for use as a public policy instrument. Happiness has to be defined, outcomes to be predicted, and results measured.

Her own ethical starting point is more like Immanuel Kant's. Kant said one should act by that maxim which one could envisage as a universal law.

O'Neill puts it differently: "We can't seriously recommend people to adopt principles that cannot be followed by all. They must be followable by all, in thought as much as in action, and be suitable for everybody."

One such principle, central to the arguments of the Nuffield report but reaching far outside medicine, is that of not causing injury. "That sounds very negative," she

said. "But *injuring* cannot be a principle for all of us because if we all adopt it some who get injured won't be able to act at all. It was a logical loop that contains us."

In medicine the inflicting of injury – to prevent worse injury or save a life – has therefore to be justified at every point. "A doctor putting a needle into a child's bottom is an injury, but justifiable. If a complete stranger did it, it would be an assault."

Beneath this principle of non-injury, in the basement of O'Neill's ethical structure, lies another principle. At first she made it sound mysterious, if not actually secret.

It is her account of what is meant by "practical reason", or reasoning about actions.

"Many would say practical reason is instrumental, about means and ends. But the problem is you can't get out of it an unconditional vindication of the act because you have to posit the end."

"This is how positions like utilitarianism work. This view of practical reason is extremely popular in the modern world, the idea that the only thing reason provides is ways of getting from A to B."

The right way to look at it, she said, was to see reasoning as something we exchange with others, in the form of reasons: A as a reason for B, or X as a reason for doing Y.

The first test was that reasoning should be accessible – which mirrors the maxim that our ethical

principles should also be followable. "You can't say 'This is my conception and you may not be able to follow'. That's being arbitrary. So followability seems to me the key element."

Are you saying that just because we reason we have obligations?

"Broadly, yes. The ones that strike us first will not be moral but will be certain cognitive obligations about how you present your thinking – which becomes quickly a moral issue."

So somewhere at the foundation of ethics is the idea that if we communicate, we must also try to be communicable with.

O'Neill says we cannot depend on "systems" to help us through the maze of our modern dilemmas. We cannot build a machine that will crank out detailed instructions for every case.

But, says the pragmatic philosopher, if we make some good, minimal assumptions and if we tread carefully enough we shall be systematic in our thinking, avoid begging the question, and even provide some answers.

"The most difficult thing is to be sure that your arguments actually reach somewhere," she said.

"That's far more important than trying to make them reach everywhere."

Human Tissue: ethical and legal issues. From Nuffield Council on Bioethics, 28 Bedford Square, London WC1B 3EG. £10.

extremes, but above all to achieve the strength and self-knowledge which comes from striving for a goal which they rate as greater than the risk of dying.

Technology, which gives us seat belts, safety officers and sell-high dates has made our society highly risk averse. We are obsessed by minuscule hazards from nuclear power and are frightened by dangers in medical treatment which would have made our grandparents laugh with relief.

Despite this, and the surrogate excitement of television, it seems there are still plenty of people who look up from their desks occasionally, shuffle past the air conditioning vents to the window and wish that they could find the courage to respond to the call of high romance.

That is why, I think, as we filed out of the church, sadness was not the only emotion, and not one of us finally regretted that we encouraged one who did.

As They Say
in Europe

Thanks to 1945

Last Sunday was the 50th anniversary of the Treaty of Trianon. For the west European, Trianon conjures up, if anything, images of Marie Antoinette prancing with her girlfriends dressed as milkmaids in the grounds of the little adjuncts to the palace at Versailles, le Petit and le Grand Trianon.

In central Europe it is another story. On June 4 1920, Hungary accepted at Trianon an allied *diktat* marking the official end of the Great War. The allies included not only France, Britain and the US but also Nicaragua, China and the Kingdom of Siam. And Hungary's immediate neighbours. They gained 71 per cent of the territory which had belonged to pre-war imperial Hungary, and, as they say, have never looked back.

The Hungarians since then have not looked forward. Last Sunday Budapest saw a demonstration against Trianon organised by the far right. The weekend newspapers had features with headlines such as "The greatest catastrophe in our history". These were reproduced in the Romanian press next day, but curiously without the hysteria that usually accompanies any manifestation of Magyar irredentism.

Le Monde was the one western paper to take a closer look. It told how the Hungarian peace delegation in the spring of 1920 was isolated at Neuilly as the allies constructed their "New European Order". They had the support of the successor states – Czechoslovakia, Yugoslavia and above all Romania, which gained the biggest share of the spoils as well as the largest number of Hungarian expatriates.

But instead of re-establishing and consolidating the *entente* between the countries of the region, the Hungarian carve-up poisoned relations... still further," Le Monde said. It quoted the view that

The successful
post-1945
settlements were
based on driving
whole peoples
from their homes

it was all the fault of Clemenceau, the French prime minister "ignorant, narrow, chauvin, prisoner of his image as the father of Victory."

West European comment on the subject tends to be sympathetic to the Hungarian cause. Guilt may be the reason: experts seem to share the Hungarian view that their minorities in neighbouring states get a raw deal. Especially in Romania. But they forget the rough time these nations felt they had suffered in imperial Hungary, which included having to learn the impossible national language.

Voices in Hungary itself have argued that Trianon did the country a favour. The reasoning says a lot about Europe today: although a third of the nation lives outside its frontiers, Hungary is a homogeneous state. Even Czechoslovakia, which is said to be a boon in this part of the world.

Present ethnic conflicts in Europe result from the peace process following the first world war. The most obvious are found in the former Yugoslavia, but they include Irish partition.

The frontier settlements enforced at the end of the second war provide little trouble today. Yes, the Sudeten Germans bear grudges which the present German government reflects in statements about the expulsions of 1945-1946. But nothing is going to be done about it.

Poland's frontier on the Oder-Neisse line is uncontested, its eastern borders with Belarus and Lithuania are not going to be changed.

The difference is, and it is a nasty thought, that the successful post-1945 frontier settlements were based on driving whole peoples from their homes. Nobody thought of such solutions in 1919.

Thanks to 1945, Europe today is composed of nationally homogeneous states. Even Czechoslovakia has gone. "Ethnic cleansing" in Yugoslavia is expulsion by another name and now it looks as though Tito provided a mere hiatus before the 1945 solution was imposed on the luckless inhabitants of the most notable European multinational state.

We underestimate the virtues of multinationalism: it has not necessarily been mere imperialism and has contributed nearly as much to civilisation as the city state. No wonder most natives of multinational western Europe feel the European Union is a more civilised form of political organisation than a Europe of Nations.

An early homogeneous nation state, the France of Louis XIV, built Trianon, a monument to its own supposed virtues. Today, according to Le Monde, the opening of frontiers in Europe means that the little palaces are smeared with Hungarian graffiti.

James Morgan

James Morgan is economics correspondent of the BBC World Service.

Many of us who assembled for a memorial service in an old Kentish church this week might have been asking the same question: should those who encouraged a young woman to undertake a dangerous and unnecessary enterprise feel remorse when it ends in her death?

The resonant words of the priest and the triumphant organ voluntary as the mourners retired seemed to answer "No". Yet the question demands an answer.

The service was in remembrance of Lucy Dicker. She fell to her death in an icy couloir in the French Alps, after completing a round-the-world skiing expedition with her companion, Arnie Wilson.

Since the expedition was sponsored by the Financial Times, I, as editor of the Weekend FT, probably could, by determined opposition, have prevented them from going. Others more directly involved in

The call of high romance

Max Wilkinson considers the morality of encouraging dangerous enterprises

organising the expedition might also have held them back.

But we did the opposite, encouraging them in what seemed at first an absurdly romantic dream, then helping to turn it into a practical plan. Later, in a different way, the readers of the Weekend FT cheered them on.

Strictly speaking, the accident was nothing to do with their plan to ski every day for 365 days in 1994, since it occurred after they had successfully completed the mission.

Yet that hardly makes a moral difference. The dangers of keeping to such an exacting schedule, in defiance of fatigue, and difficulties of all kinds, were known to all of us. It could have happened at any

time, despite all their care.

Arnie, Lucy and I discussed these dangers on a sunny afternoon in London two years ago, agreeing cheerfully that no excessive risks should be taken, that the project should not require them to ski down the most difficult runs in the many resorts they were to visit. The task would be simply to visit every day.

And yet this was not quite enough.

Just as mountaineers need a summit, and speed enthusiasts require a record to break, so this project needed a target to ensure that success could not be won too easily. We agreed that the skiers should also set themselves to achieve an average number of miles per day

and to keep an accurate tally of the vertical feet which they skied.

Since nobody had tried to do anything similar before, the target we set was, in one sense, quite arbitrary.

But we decided over lunch, as coffee was brought to our comfortable chairs, that the task must be stiff enough to put continuous pressure on the skiers: to meet their quota, to force them out in adverse weather, and to put in strenuous effort on good days to make up for lost miles on the bad.

So we invented this special difficulty, just for the sport of it. Did this increase the dangers? No doubt, it did, because Lucy, particularly, regarded the mileage target

with all the high seriousness that mountaineers accord to their summits or athletes to improving their times.

Perhaps this target was unnecessary and artificial? Especially when weighed against the risks of injury or death which are ever present in high mountain ranges.

Perhaps.

But despite the objective existence of a mountain peak, great oceans or the South Pole, the challenge of conquering them is always artificial.

People do not climb Mount Everest "because it is there". They climb for themselves, for the satisfaction of setting skill against danger, for the exhilaration and beauty of nature in its most fearsome

Table with multiple columns and rows, containing various financial data and market information. The table is partially cut off on the right side of the page.

Weekend Investor

Wall Street

Fed chairman spoils the party again

Killjoy Greenspan pours cold water on hopes of interest rate cut, reports Maggie Urry

Alan Greenspan, the chairman of the Federal Reserve, is regarded by Wall Street as something of a killjoy. A cartoon in the Dayton (Ohio) Daily News, captioned "Alan Greenspan deals with the economy," has the bespectacled Fed chief reacting lugubriously to six different economic backgrounds: good times, bad times, bear market, bull market, boom and bust. In each case, the bubble coming from his mouth contains the two words "raise rates".

This week, Greenspan has spoiled the party again. After the surprising slump in employment numbers announced the previous Friday, the bond market was celebrating the interest rate cut it expected to be imminent by pushing yields well down. At one point, the yield on 10-year Treasury bonds dipped below the Fed's 6 per cent target rate.

The equity market's first reaction to the poor jobs figure was to assume that recession was coming. That would be bad for corporate profits and for share prices.

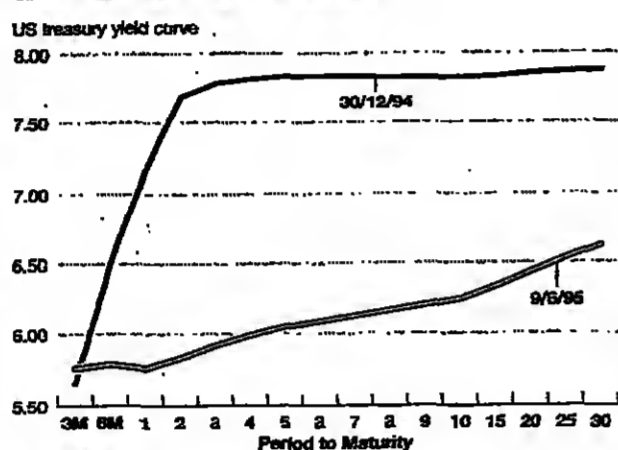
By Monday this week, though, equities were joining the party as hopes of an interest rate cut spread to the stock market. Share prices had a little help, too, from IBM's \$3.5bn hostile bid for Lotus Development. The Dow Jones industrial average rose 32.16 on the day to a new high and struggled up even further on Tuesday towards the 4,500 level.

Such was the strength of expectations of a cut that Jeffrey Applegate of CS First Boston, who had been one of the few remaining bears on Wall Street, stuck out his neck on Monday and forecast a reduction in the Fed Funds target rate from 6 to 5.5 per cent at the next two-day Fed open market committee meeting due to start on July 5. He advised clients to increase their holdings of equities from 40 to 60 per cent of their portfolios.

Less optimistic strategists were content to forecast a cut at the subsequent meeting on August 22 and 23, or perhaps a smaller cut - say, to 5.75 per cent - in July. Still, this is a big change from the view only a few months ago that monetary policy would continue to be tightened through the summer.

As the chart shows, the yield curve, which plots yields against the maturity of government notes and bonds, has

Whither US interest rates?



Source: Merrill Lynch

fallen sharply since the start of the year as expectations have changed.

But, just as the party was swinging, along came Greenspan. On Wednesday, he said he could see little sign of a recession coming and implied that interest rates would not be cut in the near term. Bonds and equities both fell.

Greenspan has been wrong before. In July 1990, the economists at Nomura Securities International recall, he said that "the likelihood of a near-term recession seems low". A month later a recession began.

This time, many economists think he is right. Stephen Roach, of Morgan Stanley, believes the economy is just having a pause in the middle of a longer term expansion. He thinks the next move in bond yields will be up, not down and predicts the yield on the 30-year "long bond", now around 6.8 per cent, will go to 7 rather than 6 by the end of the summer.

The news is not all bad for equities. If the economy rebounds later in the year and remains strong in 1996, the outlook for corporate profits is good. Even here, though, there is scope for disappointment. There is a wide difference between the strategists' "top down" forecast of earnings in 1995 and 1996, and the "bottom up" estimates derived from aggregating analysts' forecasts for individual companies.

According to Institutional Brokers Estimate Service, the strategists are expecting 1995 earnings on the S&P 500 index to be \$23.93 in 1995, rising to \$25.31 in 1996. The analysts' forecasts are for \$28.27 in 1995 and \$33.78 in 1996.

The strategists may be too cautious, but the analysts are likely to be reducing their forecasts on individual stocks or sectors from time to time - which could begin to weigh on the market. On Thursday, for instance, the transport index fell sharply when Morgan Stanley's analyst cut his forecasts for the sector.

A resurgence in takeover activity would tend to lift share prices. IBM's bid for Lotus on Monday did contribute to the market's rise that day. Although other software companies' shares perked up in response, there has been little follow-through to share prices in general.

Few potential bidders have pockets as deep as IBM, which has cash of over \$10bn. And while Lotus has made it clear it would rather merge with some other company, none has emerged. But whether it is a good deal for IBM is another question.

It has certainly lacked the software capability its hardware business needs. But many believe that the giant, bureaucratic computer group cannot run an entrepreneurial outfit such as Lotus successfully. Others think that since Lou Gerstner arrived at the top of IBM two years ago, Big Blue has changed.

As with Greenspan and the economy, the market will have to wait and see who is right.

Dow Jones Ind Average
Monday 4,476.55 + 32.16
Tuesday 4,485.20 + 8.65
Wednesday 4,462.03 - 23.17
Thursday 4,458.57 - 3.46
Friday

London

Zeneca sets screens buzzing

Philip Coggan reports on a day trading went berserk

Is the UK stock market rally finally running out of steam? Even evidence of the long-awaited bid fever failed to give much additional impetus to share prices in London this week.

The big excitement came on Thursday morning when trading in pharmaceuticals suddenly went berserk. The shares were as much as 140p higher at one stage and there were several instances of "backwardation", when prices are moving so fast that the on-screen buying price for investors is less than the selling price.

The story going through the market was that Swiss company Roche was about to bid for Zeneca. This was a rumour which had been circulating for some time but, even though Zeneca put out a statement saying it knew of no reason for its share price rise, plenty of people were putting money on the possibility.

With no announcement from a predator, some of the shine

was taken off Zeneca's share price yesterday. But it was still one of the best FT-SE 100 performers of the week.

Meanwhile, General Electric surprised the market with a £21.50 a share bid for submarine maker VSEL, which was considerably higher than most analysts' expectations. The bid comfortably topped a rival offer from British Aerospace and was seen as a potential knock-out blow.

The Zeneca and GEC/VSEL news did help the markets to edge up on Thursday, with the FT-SE 100 index just managing a new 1995 high of 3,880.8. But it fell back yesterday: the Footsie dropped 43.1 points to 3,837.7, to finish the week with a seven-point loss.

Bid activity is normally very beneficial for markets since the predator injects cash which institutions can recycle into buying other shares. So why, this time, did the takeover excitement have such little effect?

One clue was provided by

glits, which started to weaken on Thursday and Friday. On Tuesday, the yield on the 10-year gilt had dropped to 7.74 per cent, its lowest level of the year. By the end of yesterday, it had climbed back above 8 per cent.

Once again, the US proved to be the dominant influence on the London market. US Treasury bond prices, which have been rallying all year, reversed course after Alan Greenspan, the chairman of the Federal Reserve, indicated he did not expect the US economy to slip into recession.

This put a damper on speculation that the Fed would act quickly to cut interest rates. Expectations of that have been the driving force behind the rally in world markets in recent months.

The future direction of UK rates has been the focus of much speculation, too. Wednesday's monthly meeting between Kenneth Clarke, the chancellor of the exchequer, and Eddie George, the govern-



A Zeneca laboratory: working on how to keep track of the share price?

nor of the Bank of England, produced no immediate announcement. That led everybody to assume that the duo had left rates unchanged.

Since the May meeting, when the markets were surprised by the lack of a rate rise, statistics have seemed to support Clarke's view that the economy was slowing. Nevertheless, the Bank's fears that, without a rate rise, underlying inflation will rise outside the government's target range, seem to be shared widely.

Broker James Capel warned this week that sterling's weakness had forced the firm to upgrade its inflation forecast. "The chances of staying within the current 1 to 2.5 per cent target range much beyond the summer are negligible," its report said.

There could come a time, later in the year, when the markets look far less benignly on the government's inaction over base rates than it has so far.

Certainly, they are going to examine very closely the minutes of the May meeting between the governor and the chancellor, when they are published later this month, to discover the extent of the apparent disagreement between the pair.

A slower economy might not, in any case, be unadulterated good news for equities. In its latest briefing, S.G. Warburg warned that "the softer growth data which has so encouraged bond investors may nevertheless be starting to hit corporate earnings trends. After several months of steadily rising analysts' forecasts, the past few weeks have seen some modest downgrades," Warburg added:

"It is easy to envisage a period of near term uncertainty ahead as the momentum of recent bond gains fades and 1995 earnings estimates continue to soften."

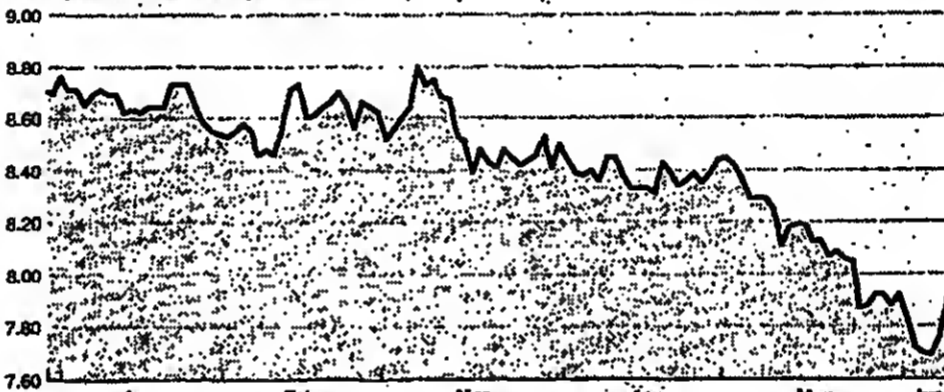
There have been technical signs that the rally has been getting tired and narrowly-based. The number of stocks reaching 1995 highs on Thursday was just 153, back in early May, when the Footsie was 90 points lower, 485 stocks reached their best level of the year. A broad-based rally is normally considered to be more healthy than one which is focused on a limited number of stocks.

The technical analysts at Derivative Securities are standing around 4.5 per cent above its mean, judging by the long-term charts, and they expect a correction back to the 3,200 to 3,300 range in the short term.

The dividend yield on the FT-A All-Share index is still below 4 per cent which, as this column has remarked before, is rarely a good time to buy shares. And Warburg points out that the prospective price-earnings ratio on the FT-A Industrials index is above its 10-year average. A correction would certainly be natural after such a prolonged rally, which has taken Footsie up 400 points since early March. But the greatest danger to the London market, many investors suspect, is not any valuation problems with UK shares but the prospect of a sudden and sharp reversal to the phenomenal rise on Wall Street.

A setback for the gilts rally

UK 10-year benchmark bond yield (%)



Source: Datastream

Highlights of the week

	Price	Change	1995	1995
	Ytd	on week	High	Low
FT-SE 100 Index	3837.7	-7.3	3880.8	2954.2
FT-SE Mid 250 Index	3678.9	+4.4	3700.9	3300.9
Asoc British Foods	680	+40	685	556
Bradstock	63	-19	90	61
Elam	154	-54%	236	154
Floors	187	+15	194	103
Hamrope	187	-28	253	182
NPC Var Vtg	189	-10	189	158
Radiation Technology	90	-37	129	89
Royal Insurance	918	-28	347	251
Seaboard	398	+19	484	304
SmithKline Beecham A	544	-34	590%	444
VSEL	2158	+323	2158	1358
Vodafone	225%	+22%	227%	177%
Zeneca	1038	+75	1123	840

Wall Street nerves
Rate fears subside
Stock shortage
Disappointing profits
Profit warning
Corporate activity hopes
Dividend slashed
Dividend concern
Trading turns tough
Goldman Sachs "sell"
Bumper dividend
Morgan Stanley "buy"
GEC counterbid
Strong results
Bid speculation



Barry Riley

Picking horses for bourses

Should companies have multiple stakeholders? Not necessarily

A rather strident report this week from the Royal Society of Arts, Manufactures and Commerce makes some harsh criticisms of the shareholder-orientation of British companies and their alleged failure to pursue an "integrated" approach.

The desirability of specifically recognising multiple stakeholders - employees, customers, suppliers and so on, as well as shareholders - has become fashionable and has linked up with the old debate on short-termism. But you can turn this argument on its head. In some other countries, the failure to give shareholders an adequate slice of the cake is liable to put such economies at a disadvantage in the global capital market place.

Whatever the great and the good on the RSA's inquiry team may conclude, the shareholders are unlikely to think there is much of a problem with British or American listed companies. Over the past five years, the British and American stock markets both have delivered average annual returns of about 9.5 per cent in terms of sterling, while continental Europe has returned 3 per cent a year less and Japanese returns have been negative.

These have, of course, been years of slow growth, including a recession. One conclusion might be that Anglo-American corporate

attitudes are more adaptable, and give better results in tough conditions. American investors made a big tactical mistake in the first quarter of 1994, for instance, when they moved heavily into the Tokyo stock market on the basis that Japanese companies would restructure their way out of trouble in the same way that US corporations had done. But the Japanese corporate culture does not work that way. Share prices continue to struggle in Tokyo.

On the other hand, perhaps, Japanese companies perform better in periods of strong economic growth, in particular through aggressive capital investment programmes. A common criticism of British (though not US) companies at present is that they have failed to respond to the economic upturn by taking sufficient steps to raise their productive capacity. But this might not be so much a failing of corporate culture as a consequence of the risk-aversion which UK companies have learnt to observe in order to survive the country's unusually violent swings in macro-economic policy. The fullness of time could bring a change of attitude - although the latest news of a fall in manufacturing output in April sheds a new light on the sluggishness of the investment statistics.

The immediate corporate governance problem in the UK is that one tiny group of stake-

holders, the top managers, has embarked on a pay bonanza. There is no resistance to this because the dominant institutional shareholders, the pension funds and the life assurance companies, are controlled by the same kind of people; external pension fund managers who campaign against excessive pay may not exactly

improve their relationships with the chairmen of the trustee boards, who usually just happen to be top company executives.

The National Association of Pension Funds reminded us this week, in publishing its annual survey of member schemes, that UK funds have grown enormously over the past 20 years - about tenfold in terms of real value - and now own a third of all British equities. Circularly, crops up not just in the pay spiral but also in dividends, where the almost uniquely high British payouts are not just money down the drain, as the extreme long-termists and capital investment buffs would

suggest, but serve to bolster pension schemes: just over half NAPF members are paying nil or reduced pension contributions because their schemes are in large surplus. External input may be required to bring discipline to the executive pay determination process, but that does not imply that wider upheavals are justified.

In continental Europe the models are all subtly different. Germany is dominated by its view of a social contract and the historical role of the big commercial banks. France is influenced heavily by state dirigisme, leading to the curious phenomenon of *nouveau patrons* - or core investors in privatised businesses who are supposed to keep the demands of other shareholders, domestic or foreign, subjugated to the French national interest. Italian listed companies are still dominated heavily by controlling families and murky private banking interests.

Being an unprotected shareholder in such economies is to be in a hazardous position, so investors are rather few in number compared with the US or the UK. As for Japan, the market capitalisation of listed companies remains quite high but the values are dubious. There is much talk of the need for proper dividends to be paid now that rapid growth appears to be a phenomenon of the past.

In all these countries, it has been a matter of horses for bourses: the particular corporate structures have worked relatively well in isolation. But, as the barriers come down, it is these economies that are likely to face bigger challenges over cultural harmonisation than the UK, whatever the RSA may say.

The RSA might be calling for a move in the UK towards continental practices just when the German and French systems are coming under external pressure. But a more general criticism could be that there is no single best model for corporate behaviour. Certainly, the UK system has proved inadequate in many areas of basic manufacturing industry, where the best British operations are often under foreign ownership - as with the Japanese in consumer electronics and cars. On the other hand, the Japanese have proved inadequate in coping with software-type industries such as films or computer programs.

Multiple stakeholder-type approaches may be effective in stable industries, especially when backed up by sympathetic economic policies. But when markets and technologies are changing fast, single-mindedness could be a better attitude. Not only individual companies need to be competitive, but corporate cultures, too.

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